26.5.12

THE FINANCES OF IRELAND

BEFORE THE UNION AND AFTER

THE FINANCES OF IRELAND

BEFORE THE UNION AND AFTER

AN HISTORICAL STUDY

BY

THE EARL OF DUNRAVEN, K.P.

LONDON
JOHN MURRAY, ALBEMARLE STREET, W.
1912

CONTENTS

INTRODUCTION

THE imminence of a Home Rule Bill raises to the level of a practical question demanding an answer a most highly controversial matter, which has been the subject of much discussion of a somewhat academic character for a century and more.

Widely different conclusions have been arrived at by those who have investigated the vexed question of the financial relations that have existed between Great Britain and Ireland in the past, and that ought to exist in the future; and it is safe to prophesy that divergent views will continue to be held. Unimpeachable material is necessary for the creation of a consensus of opinion, and no such material is available in connection with an investigation into the financial effect of the Act of Union upon Ireland. Theoretically Ireland, under the Act of Union and upon the amalgamation of the exchequers, became indistinguishably merged in Great Britain; and, from the strict Unionist point of view, the question of financial relations cannot

possibly arise. It is beyond the wit of man to determine whether Wiltshire, Perthshire, Cork, or Glamorgan have, or have not, contributed more or less than their fair share to common expenses, and have, or have not, been overtaxed or undertaxed according to their individual taxable capacity; and, according to the Unionist theory, financial discrimination is as impossible between larger units, such as Great Britain and Ireland, as it is in the case of the smaller county units above mentioned.

But, in despite of theory, Ireland has always been regarded as a more or less distinct and separate entity. Devolution on a great scale, though on entirely false lines, has been put in practice. The authority of the Crown is exercised through a Lord-Lieutenant and Governor-General. Administration and the executive are, for all practical purposes, in the hands of the Chief Secretary. Nearly all the internal affairs of Ireland are administered by special departments and boards. A large force of constabulary, more military than civil, a force quite peculiar to Ireland, is maintained. The whole system—the Judiciary, Local Government, land laws, and all the machinery of administration—is distinct, and differs materially from the system in use in Great Britain. The fact that Ireland differentiates from Great Britain morally, socially, economically and politically has forced

itself into practical recognition, and the former country has been treated as a separate entity ever since the Union; but as, in theory, Ireland has not been deemed to be a separate entity, no accurate system of book-keeping has been adopted. The accounts of the United Kingdom have not been kept in such a way as to furnish a reliable balance sheet and profit-and-loss account as between Great Britain and Ireland.

Under such circumstances, an enquirer into the financial relations of the two countries finds himself confronted by insuperable difficulties. Mathematical demonstration is impossible. Different opinions will continue to be held on a matter on which argument is to a large extent based upon hypotheses. To enter upon the subject at all, it is necessary to assume that Ireland is, and always has been, a separate entity in matters of finance. She has not been so considered and, as argument rests on the assumption of a condition that did not exist, argument cannot be conclusive. All that can be done is to investigate the circumstances of Ireland during four periods:

1. Up to 1782, during which period she was a separate entity, but had no control over her finances.

2. During the eighteen years that elapsed between the granting of a Constitution in 1782 and the passing of the Act of Union

in 1800, when she was a separate entity and acquired control over taxation and revenue.

3. From 1801 to 1817, the period during which she was still considered a distinct financial unit, though she had lost control over her finances.

4. From the amalgamation of the Exchequers in 1817 down to the present day.

Financial relations have been the theme of many enquiries, notably by Committees of the House of Commons in 1811–15 and in 1864–65, and by a Royal Commission that sat during the years 1894–96. Many valuable contributions to the discussion of the subject have been made by Mr. Erskine Childers, Lord MacDonnell of Swinford, Professor Oldham, Professor Kettle, Miss Murray, Mr. T. Lough, and others.

My object in the following pages is to so collect and arrange the materials at hand as to give the student an opportunity of forming a general opinion on the subject, or, at any rate, of finding access to the opinions of others, and to the data upon which those opinions have been formed.

THE FINANCES OF IRELAND

BEFORE THE UNION AND AFTER

CHAPTER I

IRISH FINANCES BEFORE 1782

It would not be profitable to go deeply into the story of Anglo-Irish finance before the Restoration. The dreary tale of robbery and confiscation can be read in the pages of Plowden and other historians. The people made voluntary contributions, in exchange for promises of relief that were afterwards withdrawn. Plantations were undertaken as profitable speculations. Large sums were paid by landowners as bribes, to avoid the confiscations necessary for plantations. Inquisitions were held into title in land, and claims for the Crown were instituted which were usually successful, heavy fines being imposed on recalcitrant jurors who refused to return a verdict for the King. Thus; by many nefarious methods, considerable sums

of money were extracted from the unfortunate country. But nothing in the nature of a system of public finance could be said to exist.

A subservient Parliament, which was rarely assembled, occasionally granted supplies without comment; but when, in the later years of the reign of Charles I., "the King's necessities obliged him to call Parliaments both in England and Ireland," although the Irish Parliament willingly voted six additional subsidies, "the Commons, considering supplies and grievances go hand in hand, presented a very strong petition of remonstrance, setting forth, in fourteen separate articles, the grievances that the nation then laboured under."[1] This momentary gleam of independent spirit was quickly followed by the Rebellion of 1641, with its aftermath of forfeitures and confiscations, and the country was soon plunged into the chaos of the Civil Wars.

The Restoration Settlement

At the Restoration in 1660 a Parliament was summoned and a general settlement was made. The King was entitled to resume all forfeited estates, and resumption would have produced a large revenue; but, as the lands were mainly held by the officers and soldiers to whom they had been granted, the King prudently resigned

[1] Plowden, *Historical Review of the State of Ireland*, I., p. 128.

his claim in consideration of a fixed revenue. The Acts of Settlement and Explanation were passed and a new Hereditary Revenue was settled for ever on the Crown. The older forms of Crown property were either incorporated in it, as in the case of Crown rents and composition rents, which had formed part of the ancient Hereditary Revenue, or were abolished with compensation; as in the case of the Court of Wards and Liveries, which the King consented to relinquish on receiving the new tax of Hearth Money.[1]

The Hereditary Revenue

It is difficult to say when what became known as "Hereditary Revenue" originated. Under one name or another, it would appear to have accompanied British occupation of Ireland almost from the beginning. It was certainly described as "Hereditary Revenue" in the seventeenth century, and Lord Macartney refers to it as meeting the Irish charges, civil and military, and leaving a surplus over to the Crown. At the beginning of the eighteenth century it constituted nearly the whole of Ireland's revenue. Under Charles II. the greater part of it was declared by statute to be for ever vested in the King and his successors.

[1] Lecky, *History of Ireland in the Eighteenth Century*, I., p. 192.

The Hereditary Revenue consisted chiefly of the following items:

Crown rents, which arose out of the religious confiscations of the seventeenth century.

Quit rents, which were rents reserved and made payable to the Crown out of the forfeitures of 1641 under the Acts of Settlement and Explanation.

Hearth money—a tax of two shillings for every hearth (except in houses under the yearly value of eight shillings).

Licences for selling ale, wine, and "strong waters"; and certain excise and customs duties.[1]

It may therefore be divided into two categories:

1. Income derived from Crown rents, quit rents, and other sources naturally appertaining to the Crown.

2. Income from customs, excise duties, and a hearth tax, not naturally inherent in the Crown and usually under the control of Parliament, but in this case handed over absolutely to the Crown.

Thus the entire revenue of the country was placed at the unconditional disposal of the King, the King on his part undertaking to defray the whole expenditure of the country.

[1] Lord Macartney, *An Account of Ireland in* 1773, pp. 79–91.

During the twenty-six years from 1666 to 1692 no Parliament met (with the exception of the Jacobite Parliament of 1689), and the King collected the revenue or farmed it out at his pleasure. The Hereditary Revenue was sufficient to provide for all the civil and military expenditure of the country, and at times produced a surplus, which the King appropriated to his private use. At first the revenue was farmed out for collection. Lord Macartney tells us that of the total of £219,500 collectable in 1669 only £170,000 reached the Treasury. It appears therefore, that the farmer took £49,500 for collecting £219,500. In 1672 Lord Ranelagh agreed to undertake to collect and issue the whole revenue for five years, defray all "the growing charges and all the arrears of establishments," and to pay to the King £80,000 per annum over and above all expenses. The revenue was farmed out to Sir James Shaen and others for £240,000 per annum in 1676, but the contract was raised to £300,000 per annum two years later. After that time the practice of farming ceased, and Commissioners were appointed to deal with the revenue.[1]

COMMERCIAL RESTRICTIONS

During the seventeenth and early part of the eighteenth century, the total Hereditary Revenue

[1] Lord Macartney, *Account of Ireland*, p. 96.

does not appear to have averaged £500,000 a year. In 1681 it had risen to £600,000, but after that date it began to diminish, and in 1705 had fallen to £335,505. This large shrinkage was doubtless due to the commercial restrictions which then began to produce their worst effects upon production, and consequently upon revenue. Production was restricted, with the inevitable result of diminishing taxable capacity and the yield from customs and excise duties.

The woollen industry was the principal victim. It was practically destroyed, and dragged down other industries with it. It is impossible to injure any one great industry directly, without indirectly injuring those it supplies and those supplied by it. The country was terribly impoverished. In 1702 Archbishop King writes: "We have no money at all, nor like to have any without some vent for our commodities." A population reduced to such depth of poverty could contribute little revenue, and what was screwed out of them was diverted to strange and, indeed, illegal uses. A corrupt pension system was in operation and took its toll. Ireland was dragged into operations in which she was not at all interested. For instance a sum of £50,000 was borrowed from the Irish Parliament in 1715 towards the cost of crushing the Scottish rebellion.[1] After that date Ireland's revenue

[1] Howard, *Revenues of Ireland*, I., p. 28.

began to expand again, but it did not reach £1,000,000 a year until 1751; and it varied little from £1,000,000 until 1761. A gradual rise took place then, and in 1781, the year before the Constitution was granted, revenue stood at £1,783,574.[1] These figures, of course, meant a good deal more in those days than they do now. Ireland had a separate currency and the Irish £1 was worth £1 1*s.* 8*d.* of British currency. The purchasing power of money was much greater than at the present time.

From the Restoration down to the institution of Grattan's Parliament in 1782, no definite adjustment of financial responsibility as between Great Britain and Ireland was attempted. The constitutional theory was that Irish revenue maintained the civil and military establishment in Ireland, and met certain expenses incurred in the joint interests of the two countries; but this theory was in practice continually violated.

Parliamentary Control

The whole expenditure was classified under two heads: the Civil List Establishment and the Military Establishment. Royal Sign Manual Warrants were granted at the beginning of each reign, authorising the yearly payments and specifying the total amounts to be expended

[1] Murray, *Commercial Relations*, p. 186, table.

under each head. No alterations could be made except under the authority of the Crown. If payments for other charges were required, they were made under special instruments called King's Letters.[1] In 1688 the total Civil List expenditure amounted to £30,276, and the total Military List expenditure to £243,663.

Soon after the Revolution it was found that, owing to the erection of barracks and the increased cost of the army generally, the Hereditary Revenue was no longer sufficient to defray expenditure. A Parliament was therefore summoned in 1692, and additional supplies were asked for. While granting them the House of Commons demanded for the first time that the public accounts should be laid before them, "in order that it might be the better known what supplies were necessary to be given."[2] An additional excise duty was then imposed on ale, beer, and "strong waters," and an additional customs duty on tobacco and some other imported commodities.

This deficiency in the Hereditary Revenue laid the foundation of some measure of Parliamentary control over finance. Parliament was summoned and dissolved at the pleasure of the King; but after 1695 it became customary to convoke Parliament every two years, for the pur-

[1] Return 366, 1869, Part II., App. 13, p. 382.

[2] Lord Macartney, *Account of Ireland*, p. 96.

pose of obtaining supplies in aid of the insufficient Hereditary Revenue. Supplies were granted, but were not appropriated to any particular purpose. They were simply grants in aid of the Hereditary Revenue and were applicable to all the purposes of that Revenue.

Parliament did, however, begin timidly to assert itself. It was made a standing order of the House of Commons that no supply should be granted until the Committee of Accounts had reported; and that, when, as sometimes happened during the early years of the eighteenth century, a surplus had accrued over the expenditure of the two years preceding the summoning of Parliament, the surplus was to be applied to the reduction of the supply demanded for meeting the expenditure of the following two years.

After 1727 no new taxes were imposed for nearly fifty years, with the exception of the Loan Duties, which were especially appropriated to the payment of the interest on the debt, and certain small duties, also especially appropriated, for the encouragement of tillage and the linen manufacture.

Ireland's Early Debt

Those responsible for Irish finance appear to have been highly conscientious as regards borrowing and paying debts. When floating debts were

incurred they were speedily liquidated; and the idea of creating a permanent funded debt had evidently not come to be considered an accepted method of finance.

In 1715 the whole debt amounted to only a little over £16,000. But when, in that year, it was considered necessary to increase the military establishment, £50,000 was borrowed, and a 4*s.* tax on pensions was imposed to pay the interest. During the next few years the debt increased rather rapidly, and by 1741 it had risen to £350,000.[1] In 1754 the National Debt was paid off altogether. But the next few years show a remarkable change; a permanent funded debt was incurred and rapidly increased. In 1763 the debt stood at £520,000, in 1773 at £1,757,000, in 1800 at £28,000,000, and in 1801 at £32,000,000.[2]

Action of the Irish Parliament

The Constitutional struggles of the greater part of the eighteenth century centred around the persistent attempts made by the Irish Parliament to strengthen and increase the slight hold it possessed over finance. So early as

[1] Lecky, *History of Ireland in the Eighteenth Century*, I., p. 194.

[2] Absolute accuracy is not claimed for these or subsequent figures. No uniform method of calculation has been followed by authorities dealing with the subject; and British currency and Irish currency are indiscriminately used. But for all practical purposes they are sufficiently correct.

1692 the House of Commons endeavoured to assert its right to originate the heads of Money Bills, and passed resolutions to that effect. It rejected one Bill of Supply on the ground that it did not take its rise in that House; and it only passed another in consideration of the urgent necessities of the case, and with the reservation that it should not be regarded as a precedent.[1]

But Parliament made very slow progress in establishing control over expenditure. In 1749 when, after the peace of Aix-la-Chapelle, the House of Commons desired to apply to the reduction of debt a considerable surplus, amounting to over £220,000, that was found in the Treasury, an express acknowledgment of the King's right to dispose of any surplus as he thought fit was inserted, both in the Address to the King, praying that it might be applied to the reduction of debt, and in the Act appropriating the money to that purpose. The year 1751 saw another surplus. In appropriating it to the reduction of the debt, the words implying the King's consent were at first omitted in the Bill; they were, however, introduced in England, and the Bill with that addition passed without serious opposition.[2]

But in 1753 Parliament was more determined. A Bill for the same purpose contained no reference either to the King's recommendation or

[1] Lord Macartney, *Account of Ireland*, p. 16.
[2] Return 366, 1869, Part II., App. 13, p. 383.

consent, and when the Bill was returned to Ireland, with the usual form of words inserted by the English Ministry, it was rejected by the House of Commons. The King then sent over a letter asserting his prerogative to dispose of all surplus revenue, and denying the right of Parliament to interfere. The balance was, however, applied as Parliament desired, and as it proved sufficient to wipe out the whole debt, no more grants were required for the next four years. Thus the Irish Parliament was constantly thwarted in its endeavours to obtain some control over Irish revenue and expenditure. Its claims were ignored, or denied by the English Judiciary and Ministry. Parliament was, in fact, powerless. Lecky well describes its position when he says: "Its legitimate prerogative was a matter of constant and vehement dispute, and its actual position was one of the most humiliating dependence."[1] Nevertheless, the attempts to assert some power over finance, though they failed at the time, indicated a growing sense of responsibility and bore fruit later on.

The Fight for Effective Control

After 1753 the House of Commons, defeated in its aim of disposing of surplus revenue, determined that there should be no surplus to dispose

[1] Lecky, *History of Ireland*, I., p. 194.

of. They made appropriations towards the encouragement of inland navigation, fisheries, and manufactures of various kinds. "Since that time," said Lord Macartney, writing in 1773, "it has been the constant practice of the House of Commons to load the Money Bill with appropriations of this sort, amounting sometimes to nearly a fourth of the whole supplies."[1] In the two sessions before 1753, £400 in each session had been thought sufficient for public works, but in the ten years following £400,000 was voted for such purposes. A disposition was also shown to saddle the Hereditary Revenue with perpetual charges, or with charges extending over a long term of years, so that it should never again be sufficient to enable the King to govern without a Parliament. This was accomplished by voting bounties without imposing any specific taxes for paying them, thus throwing them on the revenue at large.[2] Bounties were granted for developing fisheries, on corn preserved upon stands, on corn brought to Dublin by land carriage. This last grant was made perpetual and was payable out of money received "in transitu" by the collectors. It was one of the largest bounties granted, and amounted in 1773 to over £44,000.[3] The total amount

[1] Lord Macartney, *Account of Ireland*, p. 35.
[2] Lecky, *History of Ireland*, II., pp. 5–8.
[3] Lord Macartney, *Account of Ireland*, p. 130.

paid out in premiums and bounties between 1755 and 1773 came to £1,208,806.

Waste of Public Money

This excessive profusion had, no doubt, its drawbacks, and much of the money was probably wasted, as the critics of the Irish Parliament alleged. Lord Macartney, writing from the official point of view, draws a doleful picture of "intercourse without commerce; means of conveyance where there is nothing to convey; . . . harbours, which court shipwreck, instead of safety; bridges impassable; and navigations unmanageable."[1] He remarks plaintively that, "if the Supply Bill was to miscarry, not only the expense of the King's establishments, but all the bounties must fall upon the Hereditary Revenue." This was, of course, the precise aim of the "patriots." Whether the money was laid out profitably or not was a matter of comparative indifference to them. They could not diminish the Hereditary Revenue, so they determined to spend it, waste it if necessary, so as to compel the King to come to Parliament for supplies. It was the only way in which the Irish Parliament, in its feeble dependent state,

[1] Lord Macartney, *Account of Ireland*, p. 110. A description not altogether inapplicable to much of the relief works undertaken at the time of the famine, and to some of the modern achievements of some of the Irish Boards.

would establish any measure of control over the finances of the country, and, at best, that control was ineffectual enough.

Sinecures and Pensions

Though the Hereditary Revenue was intended for the maintenance of the Irish Establishment, civil and military, the King did with it very much as he pleased. When it was desirable to grant pensions, which the British Government would not tolerate, he charged them on the Irish account.

There were three kinds of pensions, civil, military, and foreign, the civil being the most corrupt and the most unjustifiable. Under that head pensions were granted to persons having no pretence to any claim for public service of any kind. The military pensions were reasonable enough, and but little abuse in connection with them is to be found. The "French Pensions" were pensions given to Huguenot refugees, some of whom did so much to introduce industries both in Great Britain and Ireland. In the early part of the century the French pensions were for a time equal to half of the total, but in 1730 they began to decline, and eventually died out. After 1740 we hear little more about them.

Miss Murray, quoting from old Treasury

ledgers in the Irish Record Office, gives particulars from which the following periodical list of pensions and the total revenue for the same year may be taken. The figures are in the Irish currency.[1]

	Total Revenue.	Total Pensions.		Total Revenue.	Total Pensions.
	£	£		£	£
1678 .	300,000	11,743	1751 .	1,075,407	48,520
1700 .	505,149	34,573	1761 .	1,106,540	61,598
1715 .	342,222	42,749	1771 .	1,566,837	84,285
1730 .	671,394	56,651	1781 .	1,783,574	91,538
1741 .	521,352	42,976			

The Irish establishment afforded a lucrative source of patronage, which was entirely at the disposal of English Ministers, and over which the Irish Parliament had no control whatever. A large number of sinecures, with salaries attaching to them ranging from £2,000 to £9,000 a year, were held by persons who had no other interest in the country, and who had never set foot in it.[2] The Irish pension list was a crying scandal. The House of Commons made a series of attempts to enquire into the abuse, beginning in 1703, but did not succeed in effecting any reforms. During the first half of the century, the pension-list exceeded £30,000 a year (exclusive of French and military pensions) and afforded provision for a number of persons whose claims would not have been recognised by the Parliament of Great Britain.

[1] Murray, *Commercial Relations*, pp. 185–6, table.

[2] Lecky, *History of Ireland*, I., p. 198.

After the middle of the century, when the Executive resorted more largely to bribery and corruption, in order to counteract the independent spirit beginning to manifest itself in the Irish House of Commons, the civil pension list assumed a somewhat different character and rapidly increased in amount. In 1757 the House of Commons passed resolutions to the effect that the increase of pensions was alarming, and succeeded in forcing the Administration to transmit its resolutions to the King. Again, in 1763, and in 1765, attempts were made to procure an investigation into the "intolerable grievance," but on both occasions the Administration defeated the project of an address to the King. The pension list continued to increase by huge strides, more than doubling itself in the twenty years between 1755 and 1775.

The Crown versus Parliament

These pensions, though charged upon the revenue at large, fell upon the Hereditary Revenue, as it was admitted that additional revenue voted for specific purposes was not chargeable with grants of that kind.

The right of the Crown to dispose of the Hereditary Revenue in any way it thought fit—to treat it as private property that could be alienated from public purposes—was a matter of great

controversy during those years. Some writers, in defending such a right, argued that the various duties constituting the revenue were "really and absolutely the Hereditary Revenue or private estate of the Crown," and that the restricting clauses in the Acts might be so construed as to confer on the King the right of disposing of the duties "according to his own discretion." [1]

On the other hand, it was contended that grants made on that construction of the Acts were absolutely illegal. In 1763 an able writer [2] analysed in turn each item of the Hereditary Revenue and the provisions of the Act granting it to the Crown. The preambles of the Acts giving Excise and Hearth Money, clearly showed, in his opinion, that the revenues derived from those sources were, though allocated to the King, evidently intended to defray public charges. He claimed that the Acts granting the Revenue from ale licences, and consolidating the Crown rents and quit rents contained clauses especially restraining the Crown from charging the revenue so derived with pensions. All these revenues in short are, said McAulay, "the public inalienable Revenue of the Crown,

[1] Howard, *Short Account of His Majesty's Hereditary Revenue*, pp. 17–22.

[2] Alexander McAulay, *An Enquiry into the Legality of Pensions on the Irish Establishment.*

limited to public uses." He asserted that the only part of the Hereditary Revenue which could possibly be considered as the private property of the Crown by common or statute law was that accruing from the prisage on wines, lighthouse duties, and a part of the *casual* revenue, and all this together never amounted to more than £15,000 in one year, probably not to more than £7,000. This alone was legally chargeable with pensions and yet the civil pensions alone in 1761 amounted to over £60,000.[1]

Grattan and the Pensions List

An irresponsible Administration, however, cared little for the legality or illegality of its actions. Grattan's earlier speeches[2] are full of denunciations of the pension list, "that national incumbrance, that public disgrace—in whose increase everything that should be respectable is blasted." "It has increased," he said, speaking in 1778, "in one day by £24,000. It is now greater by £20,000 than the whole civil list was twenty years ago."[3] "The chief source of our misfortunes," he said in another speech, "are the pensions, additional salaries—some for mere nominal places, and a creation of useless offices. Administrations have sacrificed the public money

[1] McAulay, p. 10.
[2] Prior to 1782.
[3] *Grattan's Speeches*, I., pp. 4, 5.

to private persons."[1] Over and over again he made impassioned speeches in favour of retrenchment and reduction of expenditure.

That Grattan was perfectly right in asserting that revenue was constantly expended contrary to statute there can be no doubt. Parliament was powerless, and its statutes had no sanction and were disregarded; but he exaggerated the practical evil. The pension list involved a violation of principle rather than any serious infliction in substance, though it certainly was out of all proportion to the revenue of the country.

Excessive Military Establishment

The respective military establishments of the two countries were not based upon any fair estimate of their relative capacity to bear them; and the treatment of the military forces of the Crown was frequently highly illegal. Irish forces were sent out of the country, sometimes at Ireland's expense, sometimes at England's expense, and sometimes with the regular pay of the soldiers provided by Ireland, while the difference between the Irish and English rate of pay was found by England.

During the period under review, the Irish military establishment was 12,000 on a peace footing, while the English establishment was

[1] Grattan's Speeches, I., p. 14.

14,000. Considering the difference in size, population, and wealth of Great Britain and Ireland, the proportion of these establishments was evidently unfair to Ireland.

The Irish forces were also subdivided into smaller units apparently in order to find employment for a larger number of officers, with the result that about the middle of the eighteenth century the pay of the officers of the Irish army came to £12,000, while in the case of Great Britain, the cost was only £11,000.[1]

In raising the military establishment from 12,000 to 15,000 in 1769, an Irish Act of Parliament provided that 12,000 men, forming the original peace footing, should always be kept in the country; but, in spite of that, troops were sent abroad on foreign service, and at the expense of Ireland.

The fact is, the system was utterly confused, or rather, there was no system at all. The evils complained of were, as was pointed out by Lord Shelburne in a speech in the English House of Commons in 1779, inherent in the very nature of the Irish Constitution.[2] So long as the Crown could advance a claim to arrogate to itself the disposal of an Hereditary Revenue, which amounted to at least two-thirds of the whole revenue, the English Ministry could do

[1] Murray, *Commercial Relations*, p. 163.
[2] Plowden, *Historical Review of the State of Ireland*, I., p. 495.

what they pleased with the Irish establishments, military and civil. They could create places at their sweet will, and could load the revenue with salaries and pensions as they thought fit. This practically amounted to the power to tax, because if that revenue fell short, other taxes must be laid on the people.

Contribution to Imperial Purposes

While, it may be said that Ireland contributed indirectly to general expenditure by means of pensions, she was called upon by the King's Orders, issued from time to time, to place at the King's disposal, a certain number of soldiers for service in England or abroad. This contribution, assessed at the arbitrary discretion of the Crown, was put on a definite basis by an enactment of the Irish Parliament in 1769 to the effect that the Military Establishment which had previously stood at 12,000 officers, non-commissioned officers, and men, was to be raised to 15,235, of whom "not less than 12,000 . . . shall at all times, except in the case of invasion or rebellion in Great Britain, be kept within this Kingdom (of Ireland) for the better defence thereof."[1] It is interesting to note that this Act is the first instance of the assertion by Parliament of any control over Military Expenditure. Formerly,

[1] Return 366, 1869, Part II., App. 13, p. 384.

the Crown had made whatever additions it considered necessary, and had then applied to Parliament for the necessary supply. But on this occasion the House of Commons took the initiative in proposing the augmentation, and promised to provide for it.

Ireland not only fulfilled her statutory obligations; she went beyond them. During the struggle with France in North America, the Irish Parliament voted upwards of £700,000 and raised six new regiments and a small force of cavalry. In 1774 we find the King asking Ireland for 4,000 men to go to America against the refractory colonists and offering to replace them in Ireland by as many foreign mercenaries. Apparently the King thought the fighting qualities of the Irish superior to those of his Continental troops. The Irish Parliament declined the offer of the foreign troops, but found the 4,000 men asked for.

The Crown and Parliament

Up to the granting of a Constitution and legislative independence in 1782, the financial relations existing between Ireland and England, or Ireland and Great Britain, may be thus summed up:

Roughly speaking, up to the Restoration in 1660, the Crown extorted contributions from

Ireland by confiscations, the proceeds of plantations, the acceptance of bribes to avoid confiscations, and other arbitrary means.

This purely predatory method of obtaining money was superseded by the creation of an Hereditary Revenue consisting of certain dues, representing the commutation of ancient Crown claims, duties on imported articles, excise duty, and a hearth tax. This revenue was collectable by the Crown, and was at first, for convenience' sake, farmed out. It was allocated to the Crown, with the understanding, explicit or implied, that, in receiving the whole revenue of the Kingdom, the Crown defrayed the whole expenditure of the Kingdom. Under such a purely despotic system, Parliament was a mere sham.

But, by degrees, under the influence of democratic principles, and owing to the necessity of the Crown to raise money in excess of the Hereditary Revenue, Parliament began to assert control over finance, but without much success until 1793, when she obtained wider powers over expenditure.

During the twenty years before 1782 the total revenue averaged about a million and a half. Before 1760 no funded debt of any consequence had been created. The nation had paid its way. With the exception of the pension list, Irish revenue was in the main expended on legitimate Irish services, but the pension list

bore a high proportion to the whole, averaging about 6 per cent. Ireland did not contribute to the upkeep of the British Crown and its defences in money, but she did in kind, for she raised and paid for troops for service abroad or in Great Britain under certain circumstances.

Judging by such data as are available, the population numbered about 3,500,000. It is difficult to say just how heavy the pressure of taxation may have been at this period. The total amount raised was not large, but the country was very poor, and its resources had been greatly depressed by the policy of commercial restrictions imposed by Great Britain. A gradual decline in prosperity took place after 1760, and a debt of over a million sterling had been created by 1778. This condition of affairs gave great strength to the movement for increased parliamentary control.

Establishment of Independence

From 1773 a vigorous agitation had been carried on for the abolition of the restrictions imposed on Irish trade and commerce. It was met by an equally determined opposition on the part of manufacturing and trading interests in England; but in 1778 under the internal pressure of the volunteer movement, and the external force of circumstances, the Government

gave way. In the following year an Act was passed abolishing most of the restrictions, and Ireland obtained freedom to trade.

Renewed agitation during the next three years resulted in the repeal by the Irish Parliament of the Act of 1495, known as Poyning's Act, in the repeal by the British Parliament of statute 6 of George I., and in the passing by the same Parliament of an Act known as the Renunciation Act. Thus in 1782 the Irish Parliament became an independent Sovereign Legislature, co-equal with the Parliament of Great Britain. Ireland achieved legislative independence and secured complete control over finance so far as taxation and revenue are concerned; but, as her Parliament did not exercise executive functions, her control over administration and expenditure was slight, and equality was more nominal than real.

CHAPTER II

GRATTAN'S PARLIAMENT, 1782–1800

DURING the period covered by the existence of Grattan's Parliament, 1782–1800, the financial systems of Great Britain and Ireland were kept entirely distinct. Ireland had her own Exchequer, estimated for her own expenditure, raised the revenue required as she thought fit, and borrowed when necessary on her own account.

In 1783, the first year of legislative independence, the revenue amounted to £1,106,505, and the expenditure to £1,813,727.[1]

The debt, which had gradually risen since 1759, stood at £1,917,784, and the debt-charge at £120,830. From 1783 to 1793 the debt remained practically stationary.[2] During those ten years a fair equilibrium was maintained between revenue and expenditure, the latter averaging about £1,250,000 and the former proving nearly adequate to meet it. New taxes,

[1] *Financial Relations Commission* (1895), Vol. I. of Evidence, App. I., p. 369, table.

[2] *Ibid.*, p. 380, table.

estimated to produce £140,000 a year, were imposed in 1785, in connection with the Commercial Propositions. In 1787 and again in 1790 revenue exceeded expenditure. By far the largest part of the revenue was raised by indirect taxation. Hearth Money was the only direct tax paid by the very poor; and in this case cabins with only one hearth were exempted in 1793.

A most lightly taxed Nation

Lecky tells us that, during this period, "Irish finances appear to have been thoroughly sound," and that "in spite of much corrupt expenditure . . . Ireland was among the most lightly taxed nations in Europe."[1] Indeed an overwhelming amount of evidence as to the growing wealth and prosperity of the country is to be found. In 1787, Foster, who was then Speaker, in presenting the Money Bills to the Lord-Lieutenant for the Royal assent, said: "The wisdom of the principle which the Commons have established and persevered in under your Grace's auspices, of preventing the further accumulation of national debt, is now powerfully felt throughout the kingdom in its many beneficial consequences. Public credit has gradually risen to a height unknown for many years."

[1] Lecky, *History of Ireland*, II., p. 503.

In 1788 the Chancellor of the Exchequer, Sir John Parnell, declared that "the public funds in this country have been higher here these several years past than in England." In 1790, he stated in Parliament that "he did not think it possible for any nation to have improved more in her circumstances since 1784. . . than Ireland has done." Lord Clare, speaking in 1798 of the progress made in the preceding twenty years, stated it as his belief that "there is not a nation in the habitable globe which has advanced in cultivation and commerce, in agriculture and in manufactures, with the same rapidity in the same period."[1]

This remarkable growth of prosperity was doubtless largely due to the abolition of trade restrictions, relief from the more oppressive portions of the penal code, and the judicious policy pursued by Parliament in fostering agriculture and other industries; but it was due also to the stimulus of responsibility and the revival of national sentiment.

Establishment of a Funded Debt

The dominant financial facts arrived at so far, may be summarised thus: No serious obligations had been incurred before an independent Parliament obtained control of Irish finance; and no permanent debt of any conse-

[1] Lecky, *History of Ireland*, II., pp. 490–2.

quence had been created. It was under that Parliament that a permanent funded debt assumed for the first time concrete reality, but it was kept well under control, and was justified by results. Large sums were, it is true, expended on canals and internal navigation, which, having been superseded by railways, may perhaps be now looked upon as a bad investment; but that, on the whole, the money raised was profitably expended is sufficiently proved by the fact that the material prosperity of the country increased to a wonderful extent, and that, in consequence, the credit of the State improved. Money was obtainable at a cheaper rate towards the close of the life of Grattan's Parliament than it had been at the beginning of that short period.

In considering the operations of Grattan's Parliament it must always be remembered that the principal task before it was to endeavour to revive industrial life, and to counteract so far as might be the disastrous effects of the commercial and industrial restrictions that had ruined trade, commerce, and all manufacturing industries in Ireland. The country required nursing. Taxation was sufficiently high, and a reasonable amount of borrowing was, under the circumstances, a legitimate operation. When the Act of Union was passed, Ireland's financial position was perfectly sound.

Imperial Contribution

At the time that the constitution was granted, in 1782, the military contribution of Ireland was on the scale laid down by the Act of 1769, and no revised settlement was made during the continuance of the constitution. We have it on the authority of Sir Edward Hamilton as stated in his Memorandum put in evidence before the Royal Commission of 1894–6, that some of the English Ministers desired that legislative independence should be accompanied by provisions for a more definite military contribution,[1] but nothing of the sort was proposed.

In 1785 an attempt was made by Pitt to arrange for a contribution on more exact lines, by inserting a provision to that effect in his schemes for the revision of the commercial relations of the two countries. Commercial equality had not been arrived at, and the proposals of the Irish Parliament in that direction gave Pitt an opportunity to ask for a *quid pro quo*, in the shape of a definite contribution towards military expenses. It was his idea that, in return for "an almost unlimited communication of commercial advantages," Ireland should contribute "to the common exigencies of the Empire." As he said later, in defending his

[1] *Financial Relations Commission*, Vol. I. of Evidence, p. 321.

scheme in the British House of Commons, "such a situation of commercial equality, in which there was to be a community of benefits, demanded also an equality of burdens; and it was this situation in which he was anxious to place the two countries." [1]

The Famous "Ten" Propositions

The plan was brought before the Irish House of Commons in ten resolutions, providing that all foreign and colonial goods should pass between Great Britain and Ireland free of duty, and that all English and Irish dutiable goods were to pass between the two countries at the same rates of duty; and that when the Hereditary Revenue, then amounting to £650,000, should exceed a given sum, the surplus was to be appropriated to the support of the naval forces of the Empire in such manner as the Irish Parliament should direct.[2] Grattan proposed a modification, to the effect that such a compulsory contribution should be conditional in a year of peace, on there being an equilibrium between revenue and expenditure; and also that the Hereditary Revenue must exceed £656,000 before any part of it could be appropriated in that fashion. With this alteration

[1] *Pitt's Speeches*, I., p. 199.
[2] Lecky, *History of Ireland*, II., p. 442.

the propositions (now eleven) passed the Irish Parliament; but when they came before Parliament in England, they encountered so furious an opposition on the part of commercial and trading interests, that they had to be dropped.

Fresh propositions—twenty in number—were formulated and sent to Ireland. The Irish Parliament felt that, in the form they had now assumed, the propositions virtually established the ascendancy of the British Parliament over Irish Commerce and dangerously threatened Irish legislative independence. The Bill had to be dropped, and though the question of commercial equality was revived later on two occasions by Grattan, in 1793 and 1794,[1] nothing further was done in that direction.

Ireland's Loyal Aid

Ireland's statutory contribution, therefore, to Imperial Defence remained a fifth part of her military establishment, which was held to be liable to serve abroad, in accordance with the Act of 1769. All other contributions were voluntary, and, if the relative wealth and population of the two kingdoms are compared, it must be admitted that Ireland showed every disposition to pay at least her fair share.

The Irish Parliament evinced no desire to

[1] *Grattan's Speeches*, III., p. 222.

effect economies at the expense of England. In 1782 Grattan proposed a grant of £100,000, to be obtained by loan, "to raise 20,000 seamen for His Majesty's fleet,"[1] and the motion was carried without opposition. The following year he stoutly opposed an attempt, headed by Flood, to bring about a reduction in the military establishment. "The Navy of England protects our trade," he said, "and we, as an equivalent pay £70,000 a year, to maintain the troops destined to serve in the plantations; this is not a dear purchase for partaking in that which has cost England so many millions. Has success made us niggardly, and shall we become unkind to England, just at the moment she has shown kindness to us?"[2]

Comparative Resources

Albeit, no comparison was made at that time of the relative resources of the two countries, little doubt can be entertained that, in spite of growing wealth and prosperity, Ireland was rightly regarded as a very poor country as compared with Great Britain. Some interesting passages in the speeches of Pitt and Grattan on the Commerical Propositions are well worthy of attention in this connection. Grattan, speaking in the Irish House of Commons, in oppo-

[1] *Grattan's Speeches*, I., p. 133.
[2] *Ibid.*, I., p. 187.

sition to the Propositions, thus contrasted the circumstances of the two countries:

"The condition of England is great debt and greater capital; great incumbrance, but still greater abilities. The condition of Ireland—little capital, but a small debt; poverty, but exemption from intolerable taxes. Equal burdens will have opposite effects; they will fund the debt of one country and destroy the trade of the other; high duties will take away your resource, which is exemption from them, but will be a fund for Great Britain. . . . You must follow, because your taxes here would be no longer measured by the wants of the country, or the interest of her commerce, because we should have instituted a false measure of taxation—the wants and riches of another country, which exceeds you much in wants, but infinitely more in riches." [1]

These words seem to breathe an almost prophetic wisdom, which the nineteenth century was destined to more than justify. Later, in the same speech, he warned his countrymen against the insidious nature of the proposals.

"It is," he said, "a union, an incipient and a creeping union; a virtual union, establishing one will in the general concerns of commerce and navigation, and reposing that will in the Parliament of Great Britain. . . . We can go on; we have a growing prosperity and, as yet, an exemption from intolerable taxes; we can from time to time regulate our own com-

[1] *Grattan's Speeches*, I., p. 236.

merce, cherish our manufactures, keep down our taxes."

PITT ON RELATIVE WEALTH

Pitt, in endeavouring to justify his original scheme in the face of the opposition of the commercial interests in England, ridiculed the idea that Ireland's poverty would ever permit her seriously to compete with Great Britain.

"He most earnestly entreated the House not to suffer themselves to be carried away with the idea that a poor country, merely because she enjoyed some comparative exemption from taxes, was therefore able to cope with a rich and powerful country; the fact, he was ready to contend, was by no means so: on the contrary, the smallest burthen on a poor country was to be considered when compared with those of a rich one, by no means in proportion to their several abilities; for, if one country exceeded another in wealth, population, and established commerce, in a proprtion of two to one, he was nearly convinced that that country would be able to bear near ten times the burthen that the other would be equal to." [1]

Neither Pitt nor Grattan can be accused of ignorance as to the relative capacity of the people of the two countries to bear taxation, or as to their relative positions in respect of established trade and commerce, accumulated capital, and wealth generally. Both of them

[1] *Pitt's Speeches*, I., p. 256.

evidently recognised the fact—which the members of the Financial Relations Commission were to rediscover more than a hundred years later—that identity of taxation does not imply equality of burden. In the eyes of both of them England was a very rich, and Ireland was a very poor country.

Extravagance and Corruption

It may be thought strange that, though the Irish House of Commons in general, and Grattan in particular had inveighed so bitterly against pensions, the pension list was increased during the existence of Grattan's Parliament as the following figures will show : [1]

	Total Revenue.	Total Pensions.		Total Revenue.	Total Pensions.
1783 .	£1,138,293	£ 98,760[2]	1793 .	£1,626,941	£124,581
1797 .	1,409,659	105,069	1797 .	1,934,911	122,377
1789 .	1,576,538	112,709	1799 .	2,524,668	108,848

But it must be remembered that it was the Executive and the Ascendancy Party who were responsible for the increase of the pension list. Grattan and the Reformers continued to protest consistently and vigorously against it.

The lack of control over the Executive made it very difficult for Paliament to check administrative corruption, and for eight years after

[1] Murray, *Commercial Relations*, p. 186, table.

[2] For the first time (and the only time) the cost of pensions came to over 8½ per cent. of revenue.

1785, Grattan and his followers went into opposition and devoted themselves to the attempt to secure some measures of administrative reform. The expense of collecting the revenue was enormous. It had risen since 1758, said Grattan, speaking in 1784, from 13 to 16 per cent. of the revenue. Additional salaries and useless offices in connection with it constituted a kind of "masked pensions."[1] The civil-pension list—that product of "the prodigality, jobbery, misapplication, and corruption of every Irish Minister since 1727"[2]—continued to increase. It amounted to more than £105,000 in 1789. In a speech made by Grattan in 1790 the charge was made that more than two-thirds of the "returns" to the House of Commons were private property. "The number of place men and pensioners sitting in this House," he said, "equal near one-half of the whole efficient body."[3] There were extravagance and corruption in every branch of the Administration, and urgent need for retrenchment.

The measures desired by the Reformers were very moderate. They wanted a Place Bill, limiting the number of place men that sat in Parliament, on the lines of the Act existing in England; a Pension Bill, limiting pensions; a

[1] *Grattan's Speeches*, I., p. 202.
[2] *Ibid.*, p. 284.
[3] *Ibid.*, II., p. 205.

Responsibility Bill, giving additional guarantees for the proper expenditure of the revenue, and the disfranchisement of custom-house and revenue officers. But these reforms were all stoutly resisted by the Ascendancy Party and the Government.

Financial Reforms of 1793

Finally, in 1793, the policy of reform met with some success. In that year a Responsibility Bill was passed, which involved the surrender by the King of his claim to dispose at will of the Hereditary Revenue, and to regulate the Civil Establishment. The King's message to the Irish House of Commons stated that, "Whenever this House shall enter upon the consideration of making provision for the support of the Civil Government of this Kingdom, and of the honour and dignity of the Crown, such disposition may be made of His Majesty's interest in the Hereditary Revenues of the Crown as may best conduce to the utility and satisfaction of the public." [1] The Hereditary Revenue was henceforth to be voted annually, and a fixed Civil List was granted to the King which was never to be more than £145,000, exclusive of the pension list.

Economies were made in the collection of the

[1] *Return* 366, 1869, Part II., App. 13, p. 384.

Revenue. A Pension Bill was passed, providing for a gradual reduction in the pension list to £80,000, and providing that no single pension should exceed £12,000 a year, except to members of the Royal family, or on an address from both Houses of Parliament. A Place Bill on the English model excluded from Parliament all pensioners, "place men" and revenue officers. This last reform was, however, perverted by the Government to uses very different from those it was intended to serve. If place men could not go into Parliament, members of Parliament might go into places, or might be kept out of Parliament by the offer of places. The Act was used to corrupt rather than to purify the Legislature.

Full Parliamentary Control

Thus, in 1793, the Irish Parliament at last obtained—in theory, at any rate—full control over the public finances of the country, as regards both revenue and expenditure, and reached the culminating point of its development. In the same year the war with France broke out, and in its course worked a profound change in the circumstances and fortunes of Ireland.

During the long struggle the independent Irish Parliament, far from confining itself to

the limits laid down in former statutory enactments, showed every desire to render all the assistance within its power to Great Britain. The sense of unity and of a common interest was strengthened by the sense of responsibility and independence. In 1793 the military establishment was raised from about 15,000 to 20,000 men; and a Bill was passed directing the enrolment for four years of a militia force of 16,000 men. Another appeal from the Viceroy two years later met with an equally adequate response. The military force was increased, and a vote of credit was carried for the Royal Navy. The action of the Irish Parliament is succinctly outlined in an address presented by the Opposition on the recall of Lord Fitzwilliam which stated that, "In consequence of the war, we have greatly added to our annual taxes, and increased threefold the debt of the nation. We have also assisted the Army and Navy of the Empire with vast numbers of our people. . . . In this year we continued to increase the annual taxes, voted a loan of nearly £2,000,000, granted a greater force than ever was paid by Ireland."[1]

The voluntary grants were very large, and strained the resources of the country, but not to the point of excess, for up to 1795 the prosperity of the country seems to have been

[1] Plowden, *Historical Review of the State of Ireland*, II., p. 526.

fairly well maintained. The Speaker, in presenting the Money Bills to the Lord-Lieutenant in March of that year, stated that it was "owing to the unexampled prosperity and growing resources of the nation," that they had been able to make grants of such unprecedented size.[1]

The Strain of the War

But this could not last: the terrible strain of the War began to tell. Credit fell, and industry all over the country was adversely affected. Agriculture continued to flourish, but the high price of food caused widespread distress. Taxation failed to afford sufficient supplies, and it became necessary to raise nearly four millions by loan.[2]

From 1797 the Rebellion in Ireland caused a huge increase in the military expenditure. English and foreign troops were sent to Ireland, and the expense of supporting them as well as the newly established Irish Yeomanry was thrown upon the country. The Irish Parliament continued to grant all the supplies that were asked for.

The revenue was forced up from £1,363,800

[1] *Grattan's Speeches*, III., p. 173.

[2] Plowden, II., p. 644.

in 1793 to £3,017,758 in 1800, the tax-revenue increasing from about £1,000,000 to about £2,500,000 a year.[1] During the same period, expenditure, almost entirely for military purposes, increased five-fold, rising from £1,363,388 to £6,854,804. Some very interesting, though somewhat hypothetical, calculations on the subject of Irish expenditure were given before the Royal Commission of 1896 by Sir Edward Hamilton. He divided expenditure into three classes: (1) what might be regarded as normal military expenditure in time of peace, which he put at £585,000 a year, (2) expenditure incurred on account of the war with France, and (3) additional expenditure incurred on account of the disturbed condition of Ireland. He calculated that, if the military expenditure from 1793 to January 1801 had been at the normal rate, it would have amounted to £4,533,000, whereas the actual expenditure was £20,809,000. Of this increase, amounting—in round figures—to £16,000,000, he allocated £6,000,000 to the disturbed state of Ireland, and the balance of £10,000,000 to the cost of the war with France. He points out also that practically the whole of the extraordinary expenditure on account of the war with France was spent in defending Ireland herself, and "thus in defending the

[1] *Financial Relations Commission*, Vol. I. of Evidence, App. I., p. 369, table.

most vulnerable part of the King's home dominions." [1]

Increase of the Debt

The total Irish Debt (funded and unfunded) amounted in 1783 to £1,917,784. Up to 1793 it had only increased by £334,983; but during the next eight years the huge addition of £26,623,373 was placed upon it, and in 1801 it amounted to £28,541,157.[2] As the aggregate deficit did not amount to more than £16,500,000, the amount must have been raised on very hard terms. Before 1798 the whole of the funded debt was funded in Ireland. In that and the two following years large portions were funded in Great Britain. By 1800 the debt-charge alone amounted to £1,232,532—a sum about equivalent to the whole expenditure of the country only seven years before.

Sir E. Hamilton gave the Royal Commission of 1894–6 some interesting figures, comparing the relative circumstances of Ireland and Great Britain at the time of the Union. Revenue and expenditure are given in round numbers. The figures of population in Ireland being derived from Hearth Tax statistics—the only data

[1] *Financial Relations Commission*, Vol. I. of Evidence, p. 323.
[2] *Ibid.*, Vol. I. of Evidence, p. 380, table.

available—cannot be absolutely relied upon, but are doubtless approximately correct.

	Great Britain.		Ireland.
Population . .	10,500,000		5,000,000
	2	to	1
Revenue . .	£31,000,000		£3,000,000
	10½	to	1
Expenditure .	£55,600,000		£6,800,000
	8	to	1
Debt . .	£446,500,000		£28,500,000
	15	to	1
Debt-charge . .	£21,300,000		£1,250,000
	17	to	1

Revenue worked out at about £3 per head for Great Britain, and 12*s.* for Ireland.[1]

Between 1792 and 1801 the annual debt-charge of Great Britain increased 93 per cent.; the annual debt-charge of Ireland increased 849 per cent.[2] These figures are most instructive, indicating as they plainly do, the comparative ease with which the richer country bore an increased load of taxation that the poorer country was quite unable to sustain.

It was not difficult, under the circumstances, for the advocates of Union to describe the financial condition of Ireland as radically unsound; but they ignored certain facts and considerations. The decline of prosperity that took place during the closing years of the century was due to specific and, in one instance, to avoidable causes. It would be out of place

[1] *Financial Relations Commission*, Vol. I. of Evidence, Answers 1393–1407.

[2] *Return* 366, 1869, Part I., App. V., p. 458.

here to discuss the motives and policy of some Irish Politicians and of English Ministers, but it will not be gainsaid by any one—whatever his opinions on motives and policy may be—that the denial of reform, the recall of Lord FitzWilliam and the general policy of the English Ministry, caused the rebellion of 1798, and saddled Ireland with an expenditure of at least £6,000,000. The rebellion of 1798 might have been avoided, and, though Sir Edward Hamilton's estimate of the actual expenditure incurred in its repression at £6,000,000 may be correct, the effect upon the social and economic stability of the country would, if it were expressible in terms of money, be found far to exceed that amount. To defray the expenses of the war with France, Ireland voluntarily contributed more than she could be reasonably called upon to do. The strain upon the resources of the country was tremendous; but, in view of the great increase of prosperity up to 1793, there is no sufficient reason to suppose that, had it not been for the consequences of the rebellion, financial stability had been fatally, or even seriously undermined.

Financial Provisions of the Union

It would be quite foreign to the objects of this essay to describe the means by which the Union was carried; all that concerns me is the

financial effect of an accomplished fact. But, as expense incurred was charged to Ireland, I may mention that £1,260,000—the purchase price of eighty boroughs returning 160 members was added to the Irish national debt, and became a permanent charge upon the country.[1]

To describe the financial provisions embodied in the seventh article of the Act of Union, the following summary given in evidence before the Childers Commission by Sir Edward Hamilton may suffice :[2]

1. The interest and sinking fund of the debts which had been incurred by Great Britain and Ireland previously to the Union were to continue to be separately defrayed by each kingdom.

2. (*a*) For the next twenty years Great Britain and Ireland were to contribute jointly towards the expenditure of the United Kingdom in the respective proportions of fifteen to two; that is, Great Britain was to defray fifteen-seventeenths, or 88·24 per cent., and Ireland two-seventeenths, or 11·76 per cent., of such expenditure.

(*b*) At the end of that term, unless it had been provided that the joint expenditure of the United Kingdom was to be indiscriminately

[1] Lecky, *History of Ireland*, V., p. 297.

[2] *Financial Relations Commission*, Vol. I. of Evidence, App. I., p. 331.

defrayed by equal taxes in both countries, a revision of the proportion might be made by Parliament on a comparison of the respective resources of the two countries, and a similar revision might be made thereafter at intervals of not more than twenty, or less than seven years.

3. Irish revenues were to constitute a consolidated fund, on which the payments in respect of Ireland's pre-Union debt were to be the first charge, the remainder of the revenue being applicable to defray Ireland's contribution to the joint expenditure.

4. The respective contributions of the two countries were to be raised by taxes in each country, as Parliament might deem fit to impose; but no article in Ireland was to be taxed at a higher rate than it was taxed in England.

5. If, after Ireland had defrayed her pre-Union debt-charge, proportional contribution, and separate charges to which she was liable, there were a surplus, it might be applied, (*a*) in remission of taxation; or (*b*) to local purposes; or (*c*) in supplementing revenue in peace; or (*d*) for a reserve fund in time of war.

6. All debt incurred by Parliament subsequently to the Union for the service of the United Kingdom, was to be considered a joint debt, and the charge was to be borne by the two countries in their respective proportions.

But, if Parliament should raise a greater proportion of the contributions in one country within the year than in the other country, or should set aside a larger sinking-fund for paying off the loan raised on account of one country than for the other, then the debt was to be kept distinct and the charge borne separately.

7. If, in the future the separate debts of Great Britain and Ireland should be liquidated, or if the values of those debts should be proportionate to the respective contributions of the two countries (or the larger debt only vary from such proportion by a hundredth part), then Parliament might declare, if circumstances seemed to justify it, that all future expenses incurred in the United Kingdom should be defrayed indiscriminately by equal taxes imposed on the same articles in each country, and might impose and apply such taxes to these expenses, subject only to such exemptions or abatements in Ireland, and also in Scotland, as the case might seem to require.

8. In the event of such a declaration by Parliament the contributions of the two countries to the joint expenditure of the United Kingdom were not to be regulated in specific proportions, except as regards so much of the pre-Union debts as might neither be paid off nor consolidated. Apart from that possibility proportional contribution was to cease.

Further Provisions of Act

The Act also provided that prohibitions and bounties on exports as between the two countries should cease; that with the exception of 10 per cent. ad valorem duties on certain articles named, there should be mutual free trade; and that no tax on any article of consumption should be higher in Ireland than in Great Britain. Thus Pitt accomplished in the Act of Union the two objects that he had in mind when he framed the Commercial Propositions—namely, the sweeping away of barriers to trade and an obligatory and definite contribution by Ireland to the general expenses of the Empire.

It would be interesting to examine in detail how far the terms of the Act have been acted upon; but, in an essay such as this a brief allusion to one or two points must suffice before dealing with the root cause of financial disorder—the contribution which Ireland was compelled to make. The Act provided that at the expiration of twenty years a revision of the proportional contribution of Ireland was to take place on the basis of "a comparison of the respective resources of the two countries"; and that a similar revision was to be undertaken at intervals of not more than twenty or less than seven years. Financial relations have

been and will continue to be the cause of much confusion of thought and of an infinite variety of opinions; but a review of all the enquiries that have been made into the subject prove conclusively that had a revision, such as was proposed in the Act, taken place, the result would have been greatly in favour of Ireland. As it happened no revision did, or according to the terms of the Act, could be undertaken, because the gross unfairness of the original contributary ratio demonstrated itself by the Bankruptcy of Ireland before the expiration of the twenty years during which it was fixed and operative.

The redemption of the pre-Union debt was, by the Act of Union, declared to be the first charge on Irish revenue. An obligation was imposed which was, by the course of events, rendered impossible of fulfilment. Elaborate arrangements were devised for dealing with surpluses—an ideal condition; but no means were set forth for dealing with the actuality of perpetual deficits. Equal taxation of the same articles was, by the Act, to be subject "to such exemptions or abatements . . . as the case might seem to require." Though, as will be universally admitted, the case has required it, it has not been found convenient to grant exemptions or abatements. The plain facts are that the financial provisions of the Act of Union

were based on an unreasonably optimistic view of the future, and on a grossly false estimate of the relative capacity of the two contracting parties. The Act has also been invariably construed in favour of Great Britain; but, even if a construction favourable to Ireland had been placed upon it, it would have availed but little, for the real cause of all the trouble that befell her is to be found in the contribution to common expenditure imposed upon her by the Act of Union.

Lord Castlereagh's Calculations

Lord Castlereagh arrived at the proportion of 1 for Ireland to $7\frac{1}{2}$ for Great Britain in the following way. He took the average annual value of the imports and exports of the two countries for the last three years, which he found to be in the proportion of 7 for Great Britain to 1 for Ireland. He compared the average annual value of the principal dutiable articles consumed, such as malt, beer, spirits, tobacco, and sugar, and found it to work out in the proportion of $7\frac{7}{8}$ to 1. He found the average war expenditure of the two countries for the previous seven years to be in the ratio of 9 to 1; and the average peace establishments to be in the ratio of $5\frac{3}{4}$ to 1. Striking an average from these data he fixed the fair proportion at $7\frac{1}{2}$ for England and 1 for Ireland.

Turning to the future he estimated that by this apportionment the expenses of Ireland would be reduced by £1,000,000 in time of war, and £500,000 in time of peace.[1]

The full data on which these calculations were made were not presented to Parliament, and the figures were never verified. There can be no doubt that they were grossly inaccurate. The initial mistake was made in taking exports and imports as an indication of prosperity and wealth. Under nearly all circumstances an unreliable standard, it was pre-eminently misleading in the case of Ireland, a country very slowly recovering from a condition in which handicrafts and manufacturing industries had been forcibly extinguished, and internal exchange had consequently almost ceased to exist. Revenue derived from excisable articles was not a very fair standard to take at a time when Ireland was occupied by a large military force. It is also very doubtful whether the data on which the calculations were based were in themselves accurate. It has been pointed out that certain sources of revenue, a consideration of which would have reduced Ireland's contribution, such as stamp duties, post-office receipts, and the tax on salt were not considered: and the average annual value of exports and imports

[1] *Financial Relations Commission,* Vol. I. of Evidence, App. XIII., pp. 485–7.

was taken at £10,926,000, whereas the official statistics presented to Parliament in 1834 made it only £8,135,000. On this point Sir Edward Hamilton says that the former estimate was probably made for the occasion, and that the difference is very likely due to different methods having been pursued for ascertaining the real value of imports.[1]

However this may be, it is obvious that the tests applied by Lord Castlereagh could not have afforded any adequate estimate of comparative capacity when dealing with two countries differing so widely in economic conditions as Great Britain and Ireland, and that, however good the intentions of Pitt and Castlereagh may have been, the proportion of 1 to 7½ was unjust to Ireland. It may be conceded that they could not foresee the long war and the tremendous burden it imposed. On the other hand, they certainly were not justified in basing their calculations upon the assumption of a prolonged period of profound peace. Even under those conditions—and eliminating the burden of the long war, the contribution they exacted would have proved excessive. This was clearly foreseen by the opponents of the Union, who most severely criticised the financial provisions of that measure. Events have fully justified their fears.

[1] *Financial Relations Commission*, Vol. I. of Evidence, p. 340.

Apologists for the Union Settlement

It may be desirable to give a few extracts from the principal speeches made in the course of the debates on the Union, as they clearly show the views entertained on both sides. The advocates of the Union declared that in their proposals Ireland was treated not only with justice, but also with generosity in matters of finance. The opponents held that the proportion fixed was quite beyond Ireland's capacity and would lead to increased debt and probably to bankruptcy.

In first moving the resolutions in 1799, Pitt said :

"It is in our power to fix for any number of years which shall be thought fit the proportion by which the contribution of Ireland to the expenses of the nation shall be regulated ; that these proportions shall not be such as would make a contribution greater than the necessary amount of its own present expenses as a separate kingdom ; and even after that limited period the proportion of the whole contribution from time to time might be made to depend on the comparative produce in each kingdom of such general taxes as might be thought to afford the best criterion of their respective wealth. Or, what I should hope to be found practicable, the system of internal taxation in each country might gradually be so equalised and assimilated on the leading articles, as to make all rules of specific proportion unnecessary, and to secure

that Ireland shall never be taxed but in proportion as we tax ourselves."[1]

Lord Castlereagh said (February 5th, 1800):

"Ireland is to have no concern whatever with the past debt of Great Britain. . . . Such is the liberality of Great Britain; but, as to the future, it is expected that the two countries will move forward together and unite with regard to their expenses in the measure of their relative abilities. . . .

"It were to be wished that there was not an insurmountable bar to a common system and a common treasury, and that we could become like counties of the same kingdom, subject to the same system of finances. Were our entire expenditure common (which would happen if neither kingdom had any separate debts, or if their debts were in proportion to their ability), by no system whatever would they be made to contribute so strictly according to their means, as by being subject to the same taxes equally bearing upon the great objects of taxation in both countries. Such, however, is the disproportion of debts of the two kingdoms to each other at the present, that a common system for the present is impossible, nor could any system of equivalent be applied for equalising their contribution. It is, therefore, necessary that the debts of the two countries should be kept distinct, and, of course, that their taxation should be separate and proportionate. . . .

"It may happen . . . that if war should continue and Ireland find her supplies, whilst England raises a great part of hers within the year, and mortgages her income-tax to their

[1] *Pitt's Speeches*, III., pp. 398–9.

rapid reduction in time of peace, that the proportion of the debt of Ireland may rise and her scale of taxation increase accordingly. In this case also, the system of common taxation perfectly secures the interests of Ireland, being produced by natural causes and in no way forced. . . . And whilst Ireland is thus secured against any injustice in substituting a system of common taxes in lieu of proportionate contribution, the United Parliament will be enabled to make abatements in Ireland, as the Parliament of Great Britain always had done in Scotland since the Union; when, from local circumstances, the high duty cannot be levied without either rendering the revenue unproductive or pressing too hard upon the poorer classes." [1]

Pitt's Contentions

Finally, Pitt, speaking in the House of Commons in April 1800, said:

"It were a circumstance much to be wished that the finances of both countries were so nearly alike that the system of both could be identified; but as, from the different proportions of debt, and the different stages of civilisation and commerce, and the different wealth of the countries, that desirable object is rendered impracticable, at least for some time to come, it becomes an important question: would you defer the advantage of a union, because you cannot at once carry it to the extent you would wish?"

And later he refers to "some other regulations

[1] *Financial Relations Commission*, Vol. I. of Evidence, App. xiii., pp. 486–7.

which have for their object the gradual abolition of all distinction in finance and revenue between the two countries, and to accelerate the time when both countries form one fund and pay one uniform proportion of taxes throughout each." [1]

It would appear that both Pitt and Castlereagh were of opinion that, whatever happened, whether there was peace or war, whether the debts were or were not liquidated or assimilated, whether taxation was or was not equal and uniform, the financial clauses of the Act were such as to guarantee Ireland against any expenditure in excess of what she would naturally and on her own initiative have incurred, had the Union never taken place. The opponents of the Union were blessed with a clearer insight and formed a truer estimate of what the future was certain to bring forth.

Opponents of the Union

Foster, the Speaker of the House of Commons, alluding to a Union, in the Debate on the Regency question in 1799, predicted that it would certainly lead to increased taxation. Lord Castlereagh, he said, "wants a Union in order to tax you and take your money where he fears your own representatives would deem it improper, and to force regulations on your trade which

[1] *Pitt's Speeches*, IV., pp. 85–7.

your own Parliament would consider injurious or partial. . . . New laws, equal in appearance and phrase, may be very unequal in effect." And he went on to point out that a system of taxation which was advantageous to Great Britain might be most disadvantageous to Ireland.

Again, on February 17th, 1800, speaking of the Union Bill in Committee, he denied that the condition of Irish finances were in any way desperate, or that a legislative Union was necessary in order to save the country from bankruptcy. The Union, instead of saving expense, would increase it. Great Britain had increased her debt in six years by £186,000,000, Ireland by £14,000,000. If Ireland had made instead a proportional contribution in the ratio of 1 to 7½ her share would have been £23,530,000. In other words Ireland would have had an additional debt of £9,500,000 "had this blessed Union taken place in 1793." The Union, he maintained, would add not less than £2,500,000 to the annual taxation of the country.

In the following month Foster made another speech, in which he dealt with the question of a contribution which was unfair, "if we compare the wealth of the two kingdoms, the comparative proportion of which can alone show the comparative ability to pay taxes." And he spoke very strongly on the provisions with regard to the debt.

"We cannot bear equal taxation now, but when we double our debt in three years we shall be richer and more adequate to support it. Our increase of poverty and their increase of wealth, are to bring us to an equality of condition, so as to bear an equality of taxes contrary to all reason; we are to increase our encumbrances in order to enjoy the burden of equal taxation with Britain, and the period fixed on for our undertaking this burden is to be the moment of increased separate debt, and increased separate taxes for Ireland, when both our debts and taxes shall be doubled."[1]

Grattan's Prophecies

Grattan, speaking on March 19th of the same year, said that the financial idea of the Union was "founded upon two principles, both of which are false; first, that the revenue of the country will not increase; second, that the expenses of the country must. . . . In the last twenty years the revenues of the country have increased near fourfold under the constitution of 1782. If they are to decline under the Union in the next twenty, what becomes of the national prosperity which is promised to flow from the Union?" There were no grounds, he thought, to expect any such increase of expense as ~~Lord~~ Castlereagh seemed to contemplate; and, with regard

[1] *Financial Relations Commission*, Vol. I. of Evidence, App. xiii., pp. 484, 488, 491.

to the contribution, he believed it to be founded upon inadequate and inaccurate data, and that many things were omitted which should have been taken into consideration. "I think you may safely say that he overrates you in contribution, as he overcharges you in establishment."[1]

In another speech in May he pointed out that the papers before the House were unintelligible and conflicting: that, while the average imports and exports of Great Britain as given by Lord Castlereagh were understated by about £6,000,000; those of Ireland were overstated by about £2,000,000: and that the proportion, therefore, being about as 8 to 79, the proposed contribution was evidently unjust and fallacious.

"Though I do not think," he said, "the means of this country are unequal to every necessary expense, yet I do think they are inadequate to that contributory expense which the Union stipulates. . . . The attempt will exhaust the country at the same time that it enslaves her. Colour it as you please, Ireland will pay more than she is able. . . . Considering then the terms of the Union, as far as they relate to revenue, they amount to a continuation of the double establishment, an increase of the separate establishment, and a military government, with a prospect of soon succeeding to the full taxes of England."[2]

[1] *Grattan's Speeches*, III., pp. 420–5.
[2] *Ibid.*, IV., pp. 8–12.

The Final Address to the King

The Opposition in the House of Commons, when they found the fight was hopeless, moved an address to the King, embodying their views with regard to the contribution fixed by the Ministers. In it they say:

"If they (the Government) have any plausible grounds whereon they calculated this proportion, they have not deigned to lay them before your Parliament; and the usual and established forms of committees to investigate into matters of such intricate and extended calculation have been superseded by them. Your Majesty's faithful Commons are satisfied that the calculation is extremely erroneous; and that, on a just and fair enquiry into the comparative means of each country, this kingdom ought not, and is not able, to contribute in anything like that proportion."

The dissenting Peers put the case even more strongly, in the famous protest entered upon the journals of the House of Lords:

"Under such circumstances it appears to us that, if this kingdom should take upon herself irrevocably the payment of two-seventeenths of such expenses, she will not have means to perform her engagements, unless by charging her landed property with 12*s.* or 13*s.* in the pound; it must end in the draining from her her last guinea, in totally annihilating her trade

for want of capital, in rendering the taxes unproductive, and consequently in finally putting her into a state of bankruptcy." [1]

In the light of these quotations it must, I think, be admitted that Irish statesmen clearly foresaw the fate that was in store for their country under the Union. They accurately diagnosed the case. In the theory that the imposition of equal taxes on the same articles produced equality of burden, they perceived an economic fallacy dominating men's minds then, and destined to dominate them for many years to come. They saw clearly that the proportion of one to seven-and-a-half was founded on false or insufficient data, and was so inequitable that even under the most favourable circumstances it must drive the country into bankruptcy. They greatly feared the fiscal consequences of fiscal union, and history has fully justified their fears. Ireland started on her new career, burdened with a liability far too heavy for her to bear.

[1] *Financial Relations Commissions*, Vol. I. of Evidence, App. I., pp. 328–9.

CHAPTER III

THE SEPARATE EXCHEQUERS, 1801–1817

DURING this period the financial relations between Great Britain and Ireland were of a hybrid, mixed, and temporary character. The Union was legislatively complete, fiscally incomplete. Ireland retained her own exchequer; continued responsible for her own debt; exercised a distinct system of taxation with its necessary accompaniment, a Customs cordon; but had transferred all control over these matters to the United Parliament. With the exception of the separate debt charges of both countries, and a few small items, which for some unknown reason were debited to the separate accounts, the whole expenditure of Great Britain and Ireland was regarded as joint expenditure, and was divided between the two countries in the proportion of seven-and-a-half to one, as fixed under the Act of Union.

EFFECTS OF THE UNION

Whatever might have been the effect of the proportion of two to fifteen upon the economic

and financial stability of Ireland during profound peace, the fifteen years of war that followed the Union and the enormously swollen expenditure thereby entailed, completely falsified all the calculations of Pitt and Castlereagh. The proportion of two to fifteen proved to be infinitely more than Ireland could pay. Ireland had to provide for her separate first charge, the pre-Union debt, and for the quota of joint expenditure imposed upon her. The revenue raised by the greatest exertions could satisfy only about half the expenditure to which she had become liable. In the effort to meet the new obligations imposed upon her, Ireland doubled her revenue, forcing it up by incessant increases in the rates of taxation from about £3,000,000 to about £6,000,000; but the effort was in vain. The expenditure for which she had become liable rose during the same period from £7,628,066 to £12,137,820.[1] Deficits, amounting in the aggregate to £82,000,000 had to be provided for, and a debt of £84,000,000 was incurred.

In the fifteen years before the Union the expenditure of Ireland amounted to £41,000,000, or an average of about £2,700,000 per annum. In the fifteen years following the Union it amounted to £148,000,000, or an average of

[1] *Financial Relations Commission*, Vol. I. of Evidence, App. I., p. 334, table.

about £9,900,000 per annum. Of this £148,000,000 Ireland raised £78,000,000 by taxation, or £47,000,000 more than she had raised by taxation in the former period of equal length. The remainder was provided by loans, so that only 49 per cent. of the whole Irish expenditure was met by taxation. The total revenues raised by Ireland during this period with the greatest exertions were not sufficient to defray more than half the expenditure for which she had by the Act of Union become liable, though taxation had been doubled and had been screwed up to the highest possible pitch.[1] During the same period Great Britain increased her debt by about £291,000,000, the increase in the two debts being in the proportion of three-and-a-half for Great Britain, and one for Ireland. But Great Britain provided 71 per cent. of her enormous expenditure out of revenue, and taxation was not forced up to the limit of productibility. The resources of Great Britain enabled her to bear the strain of her share of responsibility. Under the weight of the share allotted to Ireland her resources collapsed. The big ship, bravely buffeting the tumultuous waves of war, towed the little boat under and swamped her.

[1] *Select Committee on Taxation of Ireland* (1864–5), Vol. II., p. 140.

Ireland's Unfair Burden

Even had the proportions laid down in the Act of Union been fair under any circumstances, they became not only unfair, but impossible under the conditions that prevailed. That has been admitted by such high authorities as an officer of the Treasury Mr. John Smith, in an official memorandum dated 1816, by Mr. Chisholm, representing the Treasury in 1865;[1] and by Sir Edward Hamilton in his evidence before the Commission of 1894–6.[2] The enormous war expenditure rendered Ireland's contribution out of all proportion to her resources. Grattan, speaking in the Commons House of the United Parliament in 1819, said: "The truth is, the necessary and inevitable expenses of the war were beyond all possibility of calculation or foresight, and Ireland was not able to follow you."[3] That is very true, and he might have added that, though it may have been impossible to predict the duration of the war, that did not justify the conduct of the Imperial Parliament, in allowing Ireland to be reduced to the very verge of bankruptcy. When the burden was absolutely proved to be too heavy, Parliament should have interposed to fix a more reasonable quota.

[1] *Select Committee on Taxation of Ireland*, Vol II., pp. 140–1.

[2] *Financial Relations Commission*, Vol. II. of Evidence, Answer 9,937.

[3] *Grattan's Speeches*, IV., p. 408.

Debts of Great Britain and Ireland

Unable to meet the demands upon her except by borrowing, Ireland sank deeper and deeper into debt. At the time of the Union, the debts of Great Britain and Ireland were respectively £446,500,000 and £28,500,000, or in the proportion of 15 to 1. In 1817 they were £737,000,000 and £112,500,000, or in the proportion of 6½ to 1. In other words, the debt of Great Britain had increased by two-thirds of itself while the debt of Ireland had quadrupled.[1] The debt-charges were at the time of the Union £21,500,000 for Great Britain, and £1,250,000 for Ireland. In 1817 they were respectively £40,000,000 and £6,500,000. The charge on Great Britain had increased by something less than 90 per cent. The charge on Ireland had increased 500 per cent. After sixteen years of union the debt-charge on Ireland was double the whole revenue of the country at the time the Union was imposed upon her.

Mr. Hugh Childers, in considering this very large relative increase of the Irish debt, says that it was due not only to the fact that it was "more practicable to raise a large part of the extraordinary new expenditure by new taxes

[1] *Financial Relations Commission*, Vol. I. of Evidence, p. 380, table.

in Great Britain than it was in Ireland, but also to the fact that loans could be raised less expensively upon the credit of Great Britain than upon that of Ireland,"[1] and he goes on to say:

"It is difficult to believe that an Irish House of Commons would have consented to so large an annual expenditure and so enormous an increase of the national debt, as that which automatically took place under the operation of the financial arrangements of the Act of Union. . . . Even if they had been disposed to sanction the increase, it is hardly possible that Ireland upon her unassisted credit could have raised loans in any degree approaching in magnitude those which were raised under the Union upon the nominal credit of Ireland, but virtually upon that of the Parliament and Government of the United Kingdom, and if Ireland, after a certain point, had been unable to raise further loans, a limit would have been put to the sums by way of interest to which her revenue was liable."

The superiority of British credit was an important factor in the case, and it is doubtless true that, had it not been for the joint security, Ireland's borrowing power would have been more speedily exhausted. But the all-important factor was the elasticity of British and the inelasticity of Irish finance. Great Britain borrowed the money and charged Ireland with

[1] *Financial Relations Commission*, Draft Report, pp. 147-50.

it, and Ireland's taxation having become rigid she could not support the debt.

Exhaustion of Ireland

The exhaustion of Irish resources is proved by the fact that in some years the taxes at higher rates not only failed to produce the estimated ratio of increase, but actually yielded less than they had done at lower rates. In 1801 the taxes produced £400,000 less than those of 1800. The year 1802 was short also, and the years 1804 and 1811 by much larger sums;[1] and this occurred in spite of the fact that the duties on spirits, malt, tea, and tobacco were doubled. It was proved to the satisfaction of the Select Committee of 1864 by Mr. Chisholm that, though the higher rates imposed in Ireland during sixteen years were expected to produce £54,000,000, they yielded only £23,000,000, not nearly one-half of the estimated increase. In Great Britain during the same period increased taxation was estimated to yield £286,000,000 and actually did yield £351,000,000, one-fourth more than had been anticipated.[2]

According to the Select Committee of the

[1] Lough, *England's Wealth, Ireland's Poverty*, p. 41.

[2] *Select Committee on Taxation of Ireland* (1864–5), Vol. II., p. 140.

House of Commons that reported in 1815, Ireland had advanced in permanent taxation more rapidly than Great Britain itself, notwithstanding the immense exertions of the latter country. The permanent taxation of Great Britain increased since 1801 in the proportion of 16¼ to 10, and the whole revenue of Great Britain including the war taxes in the proportion of 21¼ to 10. During the same period the revenue of Ireland had increased in the proportion of 23 to 10. These facts prove conclusively that in the case of Ireland taxation had prior to the Union reached about the highest profitable level. The country did not, because she could not, respond to increased demands. It was quite otherwise in the case of Great Britain. She answered to the spur. She met increased taxation, not without great self-sacrifice, but without self-destruction. She was tired but not utterly exhausted.

At the end of the period under review the power to raise money on public credit in Ireland almost came to an end, and it became necessary to raise the great bulk of the loans in England. In 1801 the interest on £16,739,521 of unredeemed Irish debt was payable in Great Britain, and the interest on £10,101,698 was payable in Ireland. In 1817 the interest on £92,144,904 of unredeemed Irish debt was payable in Great Britain, and the interest on £21,535,254 was

payable in Ireland.[1] In the year 1815 it was considered impossible to raise a loan of £1,000,000 in Ireland.[2]

Extent of Irish Taxation

During the fifteen years subsequent to the Union no direct taxation was imposed in Ireland. The revenue was raised by means of Customs, Excise, Stamp-duties, and non-tax revenue. In 1812 the total Irish revenue amounted to £5,696,841. Of this about £1,000,000 was produced by Stamp-duties and non-tax revenue, and the balance was divided in nearly equal proportions between Customs and Excise. Between 1801 and 1812 the Excise duty per gallon on home-made spirits was gradually raised from 2*s.* 4½*d.* to 5*s.* 1¼*d.*; and the Customs duty on brandy and rum was raised from 8*s.* 7½*d.* and 6*s.* 8¾*d.* to 12*s.* 7½*d.* and 10*s.* 3½*d.*, respectively, per gallon. The malt duty was raised from 1*s.* 6*d.* to 2*s.* 6¾*d.* In 1801 an additional duty was placed on sugar of 2*s.* 8*d.* per cwt.; and in 1806 a further duty of 3*s.* 6*d.* was imposed. The duty on tobacco was raised from 1*s.* in 1801 to 3*s.* 2*d.* on the pound weight in 1815, and large increases were made in the duty on tea.[3] Ire-

[1] *Select Committee on Taxation of Ireland* (1864–5), Vol. I., p. 404.

[2] *Ibid.*, Vol. II., p. 142.

[3] *Report of Financial Relations Commission* (1896), p. 146, and Vol. I. of Evidence, pp. 336–7.

land was exempted from income tax, land tax, inhabited-house tax, and from certain Excise duties charged in Great Britain; and on many articles lower rates were charged in Ireland than in Great Britain. It has therefore sometimes been suggested that Ireland's full taxable capacity was not tested. But the evidence to the contrary already mentioned is overwhelming. I may add that Mr. Chisholm's exhaustive research on the subject in 1865 led him to the opinion that the limit of taxable capacity was reached; and that Sir Edward Hamilton's opinion, given to the Financial Relations Commission, was that "Ireland was taxed as heavily as she could reasonably be expected to be taxed, without leading to the result which may ensue from over-taxation—that is to say, a diminished revenue."[1] The members of the Commission agreed in this conclusion. It is hard to see how any other opinion could be held.

Provisions of Act of Union

Much discussion has arisen on the vexed question whether the intention of the Act of Union with regard to the treatment of joint expenditure and the treatment of debt was carried out. The first point presents great difficulties. When the Select Committee of

[1] *Financial Relations Commission*, Vol. I. of Evidence, Answer 1476.

1864–5 attempted to enquire into it they found that, during the first ten years after the Union, no abstract of the accounts between the two countries had been kept. The system of book-keeping was different in each country, and revenue, expenditure, and loans were dealt with as occasion required, without any regard to fixed rules.[1] For the first year or two after the Union, Ireland was required to defray separately, not only the charge on account of the separate Irish debt, but also the whole civil and military expenditure incurred in Ireland; and Great Britain bore corresponding separate charges. In both cases these expenditure charges in the two countries rapidly diminished in amount year by year.

After 1805 Committees continually enquired into the subject, but it was not until 1811 that a Committee decided upon the rules by which the joint expenditure should be regulated. They struck a balance between the two countries, showing the proportion Ireland should pay, and after that time Ireland paid certain sums on account of balances found due. But the accounts seem to have remained in a very confused state, until they were untangled by Mr. Chisholm, who investigated the subject exhaustively. It is his opinion that "without reference to the

[1] *Select Committee on Taxation of Ireland* (1864–5), Vol. I., p. xiii.

question whether the proportion required by the Treaty of Union to be contributed by Ireland was just and according to her relative ability, the provisions of the Treaty, so far as they were applicable to the mode of adjusting the joint accounts, were construed by the several Parliamentary Committees, and the actual settlement of the accounts was effected upon principles the most favourable to Ireland.[1]

The Proportions of Debt

With regard to the debt. The question has often been raised whether the means whereby the two debts were brought into the proportion of 15 to 2, namely, by the disproportionate increase of the Irish debt, were in accordance with the Act of Union. It has been held that all sums raised after the Union should have been treated as joint debt, because the provisions of the Act were intended to apply to pre-Union debts only: that pre-Union debts were to be brought into their proper proportion by the more rapid liquidation of the larger—the British—debt: and that, therefore, the course pursued of arriving at the proportion by the more rapid increase of the smaller—the Irish—debt was directly contrary to the Act of Union. That was the opinion formed by Mr. Sexton, Mr. Blake, and

[1] *Return* 366, 1869, Part I., App. V., p. 477.

Mr. Slattery, as members of Mr. Childers' Royal Commission, and embodied in their separate report.[1]

It was no doubt the expectation of Pitt and Castlereagh that the debts of the two countries would come into the proportion laid down by the act of Union, through reduction of the British Debt; but passages occur in the speeches of Foster and of Grattan, showing that they contemplated as a probability—almost as a certainty—the relatively rapid increase of the Irish separate debt. Castlereagh's speeches also indicate that he saw the possibility of such an occurrence, though, as was natural, no great emphasis was laid upon it by him or by other advocates of the Union.

The fact seems to be that the wording of the Act is ambiguous, and does not make it clear how far either country might raise debt on its own account, in order to meet its share of joint expenditure. Sir Edward Hamilton points out that while the Act provided for the disposal of an Irish surplus, no provision was made for meeting deficits; and unfortunately, Ireland was in a perpetual state of deficit.[2] Obviously the only way of enabling Ireland to pay what she was required to pay was to resort to separate borrow-

[1] *Report of Financial Relations Commission*, pp. 94–6.

[2] *Financial Relations Commission*, Vol. I. of Evidence, App. I., p. 399.

ing. This was the only course by which it was possible to carry out the Union arrangements. That, at least, was the opinion arrived at by the Committee of 1811–15, which investigated the subject, and by the Select Committee of 1864–5. Accepting their conclusions as correct, we are bound to believe that the appalling financial condition to which Ireland was reduced was due, not to any incorrect interpretation of the Act of Union, but to the inevitable result of actual enactments affected by the strain of continual war.

The question as to how much of the increase of taxation and of funded liability that occurred from 1800 to 1817 ought to be called Irish, and how much ought to be called British, is difficult to answer. In those seventeen years the Irish share of the National Debt ran up from £32,000,000 to £112,000,000, the increase of £80,000,000 being the result of the Act of Union. On the other hand, it cannot be argued that, if the Act of Union had not taken place, Ireland would have incurred no liability for expenditure incurred in the interests of both countries. It is a fair assumption that, had the Grattan Parliament continued in existence, it would have found money for the French war; but it certainly would not have found money to the extent it did under constraint of the Act of Union. It would probably have been lavish

in providing men, but careful in providing money; and nothing would have induced it to reduce the country to bankruptcy. It is, perhaps, reasonable to assume that the Irish Parliament would have continued to incur liabilities at the same rate as that in which it had increased its debt during the seventeen years of its existence. In that case another £30,000,000 would have to be added to the Irish debt. That would bring Ireland's just share up to about £62,000,000, leaving £50,000,000 to be charged to Lord Castlereagh's false estimate of the relative taxable capacities of the two countries. The practical effect of the amalgamation of the exchequers which took place in 1817, was to reduce Ireland's proportionate contribution from the 1 to 7½ standard enacted under the Act of Union to a 1 to 15 standard. Ireland had, in fact, been overcharged to the extent of 50 per cent. for sixteen years, and this overcharge had brought about insolvency. £50,000,000 therefore, appears to me to be a fair estimate of the sum screwed out of Ireland by the machinery of the Act of Union, in excess of the liability which it is reasonable to suppose would have been incurred if the Act of Union had not been forced upon her.

It may be contended that, in merging the Irish debt on amalgamation, Great Britain discharged all responsibility, whether in fact or

in equity. But the argument will not hold good. Absolute bankruptcy is a serious matter, whether to individuals or to nations, and Ireland was a *bona fide* bankrupt. In her attempt to fulfil impossible obligations forced upon her by the Act of Union, in her efforts to avoid insolvency, she exhausted all her resources and left herself absolutely bankrupt, not only in money, but in all the means of recuperation. Even had her debt been wiped clean off the slate, the material injury it represented would not have been redeemed; but the debt was not wiped off. As an integral portion of the United Kingdom, her responsibility for it continued. No relief was given. The rack was not relaxed. Taxation remained stretched up to the highest possible limit, and until quite recent years no practical steps were taken to enable her to raise herself to a sounder economic condition. I think it may be fairly said that at the time of the amalgamation of the exchequers, Great Britain owed Ireland not only the £50,000,000 I have mentioned, but in addition a debt which it is very hard to express in terms of finance.

CHAPTER IV

AMALGAMATION OF THE EXCHEQUERS

By 1815 it became plain that something must be done to save the situation. The two conditions contained in the Act of Union under which an amalgamation of exchequers and a unification of taxation could take place were as follows:

> (1) That the separate debts of both countries should be liquidated, or that their values should be to each other in the same proportions as the annual contributions—viz. 2 to 15; and
>
> (2) That it should appear to Parliament that "the respective circumstances of the two countries" would "thenceforth admit of their contributing indiscriminately by equal taxes imposed on the same articles in each to the future expenditure of the United Kingdom."

A Select Committee appointed to enquire into the matter reported in 1815 that the proportions of the debts were about 2 to 13 or 12½. The debts had approximately arrived at the pro-

portions of 2 to 15, indicated in the Act of Union as a necessary preliminary to amalgamation, not, as was anticipated, by reduction of the British debt, but, as was not anticipated, by augmentation of the Irish debt. The main reason for deferring the amalgamation of the exchequers when the Act of Union was arranged, was to give Great Britain an opportunity of reducing her own National Debt in fairness to Ireland, but Napoleon settled the matter on very different lines for both islands, and when the Corsican was finally caged the only way to avoid the utter bankruptcy of Ireland was by amalgamation of the exchequers.

The Committee recommended that Parliament should now take the question of amalgamation into consideration as the only means of relieving Ireland from intolerable burdens. Accordingly, in the year following resolutions were moved and agreed to in the House of Commons, to the effect that consolidation of debts and revenues should take place, and that henceforth all expenses of both countries should be defrayed by indiscriminate taxation, "subject only to such exemptions and abatements in Ireland and Scotland as circumstances may appear to demand."

A Bill was brought in for consolidating the debts and public revenues of the two kingdoms, and became law in July 1816. The Act pro-

vided that all revenues of Great Britain and Ireland were

"From and after January 5th, 1817, to constitute one general fund, called the Consolidated Fund of the United Kingdom; and that fund was to be charged with, and indiscriminately applied to (1) The services of the British and Irish debts; (2) The Civil List; (3) All other services previously charged on the separate Consolidated Funds of the two Kingdoms; and (4) Supply services of the United Kingdom generally."

Results of Amalgamation

The immediate result of consolidation was to save Ireland from impending bankruptcy. Her insolvency became merged and obliterated in the solvency of Great Britain. The position of Ireland was that she had to meet separate charges of £6,500,000, and joint charges amounting to £4,700,000, making a total of £11,200,000. As her revenue was only £5,560,000, there was a deficit on the year of £5,640,000, which could only be met by an addition to her already impossible capital liabilities.[1] Under the new arrangement, she simply paid over her whole revenue to the united exchequer, and Great Britain became liable for the remainder of the expenditure of the United Kingdom. Short of

[1] *Financial Relations Commission*, Vol. I. of Evidence, p. 334, Table II., and p. 335, Table IV.

acknowledgment of the gross injustice of the financial terms of the Act of Union, and of proportionate restitution, the only solution of the situation was to be found in amalgamation of the exchequers. It avoided the absurdity of the bankruptcy of a part of a whole, but it was of no benefit to the part. Ireland, as a nation, had become bankrupt, and national bankruptcy means, when taxation has been raised to the highest possible point, individual bankruptcy, or its nearest equivalent, universal poverty and the drying up of all the well-springs of enterprise, trade, commerce, and industry. But though amalgamation was of no benefit to Ireland, it at least proved the injustice of the financial clauses of the Act of Union and justified every word that had been said by the opponents of the Union. The proportion of Ireland's contribution to the contribution of Great Britain was settled under the Act of Union as 1 to 7½. It was on amalgamation of the exchequers shown to be as 1 to 15, and even that proportion involved screwing up taxation in Ireland to the highest profitable point. The cause of Irish bankruptcy was demonstrated. The proportional contribution as fixed by the Act of Union drove Ireland into insolvency. It imposed obligations upon her which were utterly beyond her power to bear. Taking over the debt gave Ireland her discharge from

the bankruptcy court, but did not avert ruin. Theoretically it relieved the nation, but practically it did nothing to relieve the people composing it. The mere absorption of the individual liability of Ireland in the common liability of the United Kingdom was no remedy for the effect produced upon Ireland by the necessity forced upon her of incurring the liability. No relief was given to the individual taxpayer. Irish taxation continued at the same level—a level incompatible with prosperity. She continued to be taxed at a rate that had killed her. Remission of taxation was necessary. As Sir Edward Hamilton pointed out, "nothing short of an appreciable remission of her existing burdens could be any reparation for the past."[1] No reparation was made.

Since 1817 Ireland has never been called on to pay any fixed contribution to Imperial expenditure. Her revenue has been placed to the common credit and her contribution for Imperial purposes has been calculated at the amount by which her true revenue has exceeded her local expenditure.

1817–1894 Fiscal Union

With the amalgamation of the exchequers, the revenues and accounts of the two coun-

[1] *Financial Relations Commission*, Vol. I. of Evidence, p. 341.

tries ceased to be kept separately, and it became unnecessary to levy Customs and Excise duties in the country where the dutiable article was to be consumed. New regulations were framed, whereby all payment and repayment of duties in the cross-channel trade were to cease, except in the case of articles subject to different rates of duties. Mutual free trade was gradually established. The existing 10 per cent. duties were abolished in 1824. After 1826 no accounts of articles shipped from Great Britain to Ireland and vice versa, were kept, and for ninety years no attempt was made to compile any statistics of Anglo-Irish trade. As a result, and a very important one in view of the present political situation, no trustworthy means can be found for computing the true revenue of either Great Britain or Ireland. In the case of spirits, where the permit system is enforced, there may be some approach to accuracy. In a Parliamentary Paper issued in 1891 the Treasury officials made a first attempt to arrive at the true revenue of England, Ireland, and Scotland, by means of various adjustments, and two returns have been issued annually since 1895, based on that principle. But no one could be more emphatic than the representatives of the Treasury in declaring that it should never be forgotten that these adjustments are "founded for the most part on estimates and hypothetical

calculations" and that too much reliance should not be placed on them. As I shall have to return to this matter later on I will merely say here that since 1826 Ireland has possessed no accurate knowledge either of the figures of her true revenue or of her exports and imports.[1] She has had to carry on her trade in the dark.

Unification of Taxation

At first no very rapid advance was made towards that "indiscriminate taxation" which, as the Act of Union laid down, might be adopted on amalgamation of the exchequers, if Parliament saw fit. Indiscriminate taxation was the ideal of British statesmen; but they had, at that time, some conception of what it was possible for Ireland to bear. Between 1817 and 1853 only a few changes of any importance took place. After 1817 the tea duties in Great Britain and Ireland were levied at equal rates. In 1819 the tobacco duties were equalised with, for the people of Ireland, rather formidable results. The duty in Ireland on unmanufactured tobacco was raised from 1*s.* to 3*s.* per pound and the duty on manufactured tobacco and cigars from

[1] Since 1904 the Department of Agriculture and Technical Instruction has issued annual reports on the imports and exports at Irish ports, but these reports are admittedly incomplete and inadequate, as the department has no statutory authority to require full and accurate returns.

1*s.* to 16*s.*[1] Later the rates were raised still higher, in accordance with the increase of rates in Great Britain. The Stamp duties were equalised in 1842. Apart from these changes, however, there remained a sort of tradition that equal taxation must not be imposed too rapidly. In 1817 the duty on spirits was, in Ireland, not much more than half that existing in England. Peel imposed an additional 1*s.* per gallon in 1842, but removed it the following year. From 1843 to 1853 the duties remained at about one-third of the English rate.[2] In 1842 the income tax was imposed on Great Britain without extending it to Ireland. Comparatively small additions were made to Irish taxation during this period, but on the other hand Ireland derived little benefit from the great remission of taxation which followed upon the conclusion of the war. Between 1817 and 1864 a large number of excise duties on beer, printed cottons, candles, starch, soap, bricks, and hops, all of them affecting Great Britain alone, were swept away. The relief afforded to Great Britain by remission of taxes amounted to an annual average of about £16,000,000, while no corresponding relief was given to Ireland.[3]

1 Lough, *England's Wealth, Ireland's Poverty*, p. 43.

2 *Financial Relations Commission*, Vol. I. of Evidence, p. 343, table.

3 *Select Committee on Taxation of Ireland*, Vol. II., pp. 145–6. Also *Report of Financial Relations Commission*, p. 156.

It would be quite foreign to the purposes of this essay to discuss the merits or demerits of a system of free imports. I confine myself therefore to saying that, whatever opinion may be held on that point, Ireland, it must be admitted, did not derive equal benefit with Great Britain from the great revolution in fiscal policy which began in 1845. A number of duties on raw materials of manufacturing industry were abolished in that year. By the legislation of 1846 the chief part of the duties on foreign corn were swept away, and the duties on the importation of live animals and on most dead meats were repealed. The duties on butter and cheese were reduced and were finally abolished in 1860, and in 1869 the slight remaining entrance fee of 1*s*. a quarter upon corn, grain and flour was repealed.

It was the opinion of the Financial Relations Commission (1894–6), in considering this great change in fiscal policy, that, while the Irish population may have gained in some cases as consumers by the abolition of duties on food-stuffs, they have lost "to a far greater degree" as producers, and that "it does not appear that a fiscal system which raises no revenue from foreign food-stuffs, but does raise a large revenue from spirits, tea, and tobacco, is advantageous to the population of Ireland, although it may be advantageous to the popula-

tion of the United Kingdom, looked at as a whole." "It may even, perhaps, be said," they conclude, "that just as Ireland suffered in the last century from the protective and exclusive commercial policy of Great Britain, so she has been at a disadvantage in this century from the adoption of an almost unqualified free-trade policy for the United Kingdom."[1]

Free Trade was adopted to "lighten the springs of industry," to use Peel's words; but it was industry in which Ireland had practically no share, and her interests, which were predominantly agricultural, were not taken into consideration.

Assimilation of Taxes, 1853–60

In 1853 the commercial prosperity of Great Britain was increasing by huge strides. Ireland on the other hand had recently passed through the terrible ordeal of a great famine. Though her population had diminished by one-fourth, local rates for the relief of the poor had enormously increased; the repeal of the Corn Laws had ruined her export trade in cereals; her scanty manufactures were declining. The contrast between the two countries, one rich and rapidly growing richer, the other poverty stricken and in misery, could hardly have been greater;

[1] *Report of Financial Relations Commission*, pp. 10–11.

and one would have thought that then, if ever, the circumstances of the country called loudly for those "exemptions and abatements" mentioned in the Act of Union. But a very different policy was pursued.

In 1853 Gladstone began increasing the spirit duties in Ireland, with the view of ultimately doing away with the system of differential rates. He raised the duty on home-made spirits from 2*s.* 8*d.* to 3*s.* 4*d.* a gallon, denying that it was one of "the rights of men" that an Irishman should be allowed to intoxicate himself more cheaply than an Englishman. This additional duty yielded more revenue than was expected. The following year a further increase of 8*d.* was imposed, bringing the duty up to 4*s.* per gallon. In 1855 it was raised to 6*s.* 2*d.* per gallon, and three years later Disraeli completely assimilated the spirit duties throughout the United Kingdom.[1] In 1853 the income tax was extended to Ireland. Gladstone, in justification, declared that "the fact of a country being poor was no argument *prima facie* against the application of the tax when that tax did not attach to the class that were poor in that country, but only attached to a class which, being defined by a certain amount of income, were actually richer as regarded the enjoyment of the necessaries and

[1] *Financial Relations Commission*, Vol. I. of Evidence, p. 343, table.

comforts of life than the corresponding class who paid the tax in England." There might have been some force in that argument, if the object of the imposition of a direct tax affecting the comparatively well-to-do had been to relieve the comparatively poor of Ireland from some of the burden of indirect taxation. But in this case Ireland was looked upon as so many counties in a United Kingdom, and the tax was imposed and utilised for Imperial purposes only.

As a set-off for the imposition of the income tax Gladstone relieved Ireland of the remainder of a liability for certain loans, called the "Consolidated Annuities," which had been incurred for relief during the famine. This debt amounted to over £4,000,000, and the annual charge thereon upon Ireland and from which Ireland was relieved, amounted to about £240,000. The income tax produced an average between 1854 and 1894 of £550,000 a year. The set-off against income tax seems somewhat small if it is remembered that when in 1842 Great Britain submitted to an income tax, yielding £5,500,000, she had been relieved of other taxes to the amount of £12,000,000. The extraordinary in-and-out methods of finance invariably adopted towards Ireland are well exemplified in this particular case. When revenue for general purposes is required, Ireland

is looked upon as an integral part of the United Kingdom, and a fresh tax imposed upon her is devoted to Imperial purposes. When a great calamity, such as the famine, occurs, the separate entity theory is invoked, and money given for relief is considered as a loan.

Ireland "Hard Hit"

Sir Edward Hamilton admitted that Ireland was "undoubtedly hit very hard" during the period 1853–60. And it was the opinion of the Financial Relations Commission that in the matter of taxation "it does not appear that there was anything in the circumstances of Ireland . . . which justified so large an increase."[1] They estimated the addition to the permanent annual taxation of the country, resulting from the changes made in the decade 1850 to 1860, at £2,250,000, or an increase of 40 per cent. The total tax revenue, which worked out at 13*s*. 11*d*. per head of population in 1849–50, had risen to £1 5*s*. 4*d*. in 1859–60; this great rise being due to the simultaneous increase of taxation and decrease of population.[2] Between 1860 and 1894 the revenue remained fairly stationary, rising per head from £1 5*s*. 4*d*. to about £1 8*s*.

[1] *Report of Financial Relations Commission*, p. 10.
[2] *Financial Relations Commission*, Vol. II. of Evidence, p. 114.

The increase in indirect taxation amounted to about 1*s.* 6*d.* per head.[1] The population was still falling.

Surveying the whole period, taxation per head was doubled in Ireland, increasing from 14*s.* 5*d.* in 1819–20 to £1 8*s.* 10*d.* in 1893–4, while during the same period taxation per head in Great Britain diminished from £3 10*s.* 3*d.* to £2 4*s.* 10*d.*, a drop of 36 per cent. In the latter year indirect taxation constituted 76·4 per cent. of the whole taxation of Ireland, while it constituted only 53·7 per cent. of the whole taxation of Great Britain.[2]

Collected and True Revenue

Looking at the decadal figures of revenue in the light of modern Treasury "adjustments" it appears that in the earlier periods the export of duty-paid articles from Great Britain to Ireland greatly exceeded counter-exports of duty-paid articles from Ireland to Great Britain. In later years the process was reversed. A great change took place, which cannot be accounted for by inaccuracies in the Treasury adjustments.

In 1829 true revenue exceeded collected revenue by about £1,000,000. In 1889 col-

[1] *Financial Relations Commission*, Vol. II. of Evidence, p. 115.
[2] *Report of Financial Relations Commission*, p. 36.

lected revenue exceeded true revenue by about £1,000,000, and in 1894 by more than £2,000,000. The Financial Relations Commission suggested two main causes for this change:

(1) The abolition or reduction of customs duties on most of the foreign and colonial goods, for which London is the chief entrepôt.

(2) Growth of Irish export trade in spirits, beer, and manufactured tobacco.

To these causes they added the increase of the Irish spirit duties and decrease of population.[1]

Imperial Contributions

All through these long and weary years, Ireland was, in spite of her poverty-stricken condition, making a large contribution, over and above her own local expenditure, to what is now known as "Imperial Expenditure." This contribution averaged about £3,000,000 down to the middle of the last century. The increase of taxation during the decade 1850 to 1860 raised the true revenue from £4,861,465 in the former year to £7,700,334 in the latter, and as expenditure in Ireland remained practically stationary, the whole of this increase went to

[1] *Report of Financial Relations Commission*, p. 8.

swell Ireland's "Imperial Contribution," which was forced up from £2,613,778 to £5,396,000.[1] When the condition of the country, but slowly recovering from the shock of the famine, is borne in mind, it must be admitted that so heavy a strain upon the tax-paying capacity of the population, or so great a diversion of funds from local purposes, was not just, judicious, or wise.

In 1860 "Imperial Contribution" constituted more than five-sevenths of the whole revenue derived from Ireland; but since that time contribution for general purposes has steadily diminished, and a correlative increase in local expenditure has taken place. The latter rose from £2,304,334 in 1859–60 to £5,602,555 in 1893–4.[2] In fact, during the greater part of the last century the tendency was for Local Civil Service expenditure in Ireland to expand rapidly, in comparison with the expenditure in Great Britain. In 1819–20 the Civil Government charges in Great Britain, with a population of 13,765,000, were £1,113,000, or 1*s.* 7*d.* per head; in Ireland, with a population of 6,802,000, they were £618,000, or 1*s.* 10*d.* per head. In 1892–3 these charges in Great Britain, with a population of 33,469,000, were £19,103,000, or 11*s.* 5*d.* per head; while in Ireland, with a

[1] *Financial Relations Return*, 234, 1910.
[2] Lough, *England's Wealth, Ireland's Poverty*, p. 204, table.

population of 4,638,000, they were £4,544,000, or 19*s*. 7*d*. per head.[1]

The Commission's Finding

A great deal of information on this subject is contained in the evidence given before the Financial Relations Commission. It was reckoned then (1894) that if the cost of the Civil establishments were in proportion to population, it would in Ireland amount to one-seventh of the expenditure for similar purposes in Great Britain; but that, in fact, the expenditure of the Local Government Board in Ireland was in the proportion of four-fifths, and that of the Board of Works of two-thirds. The proportionate expenditure for law charges was more than one-half; on the Superior Court, one-third; on prisons, one-fifth; and so on.[2] The disproportionate size and cost of the constabulary was also pointed out, Mr. Lough estimating the annual cost at 6*s*. 7*d*. per head of population, while the police force in Scotland cost about 2*s*. 3*d*. per head of population.

It will, of course, be understood that recent legislation has wrought great changes, both actually and relatively, in the cost of Civil

[1] *Financial Relations Commission*, Vol. I. of Evidence, App. I., p. 353.

[2] *Ibid.*, Vol. II. of Evidence, Answer 10,532.

administration; and it must be borne in mind that, though it may be an open question whether any expenditure within the United Kingdom can be regarded as other than Imperial expenditure since the amalgamation of the Treasuries in 1817, the division into Imperial and local expenditure must be adopted for statistical purposes.

The fact is that the theory that legislative Union connoted complete amalgamation has proved to be impossible of practical application. The whole system of Government and administration in Ireland is, and always has been, based on the theory of "separate entity." Had finance been based on the same theory, and had proper accounts been kept in accordance with it, "Financial relations" would not be subject to the innumerable difficulties that now obscure the question.

Protests and Enquiries

The question of the financial treatment of Ireland under the Union was raised by Sir John Newport in the House of Commons in 1822, and by Daniel O'Connell in 1833; but the only satisfaction these gentlemen obtained was a denial that Ireland could possibly have been treated with any unfairness. In 1853, when Parliament was considering the extension of the

income tax to Ireland, Colonel Dunne moved an amendment to the effect that the fiscal relations and relative taxation of Great Britain and Ireland should first be considered by a select Committee. This gave rise to a debate, in which Gladstone declared that there was no need for a Committee—that "the matter was as clear as daylight at that moment," and the motion was negatived. Ten years later Colonel Dunne renewed his motion for a committee, "to enquire into the causes of the depressed condition of Ireland and the effects of the taxation which she now bore." In the course of the debate that followed, Gladstone said that he demurred to the claim to have public money expended on what he might call geographical principles, but that even on such principles Ireland received very liberal treatment as compared with Great Britain. In view of the late period of the session the motion was withdrawn. On February 26th, 1864, Colonel Dunne again moved for a Select Committee to consider "the taxation of Ireland: how far it was in accordance with the provisions of the Treaty of Union, or just in reference to the resources of the country."

The motion was agreed to, and the Committee which was appointed sat for two years. They took a great deal of evidence, compiled many accounts, and drafted several reports. The

conclusions expressed in the report which they finally adopted are described by Sir Edward Hamilton, in the memorandum he furnished to the Royal Commission of 1894–6, as "somewhat impotent."[1]

The Committee of 1864–5

They considered that many of the charges which had been made against the way in which the Treaty of Union had been carried out were unfounded. They admitted that it was not surprising that the recent levelling up of taxation had given rise to complaint, even though Ireland was still exempt from some of the taxes to which Great Britain was subject. But when it came to expressing an opinion as to whether the existing taxation "was just in reference to the resources of the country" they found themselves in deep water. In the absence of any accounts of the trade between Great Britain and Ireland they saw no way of arriving at any valid conclusions as to the comparative wealth and resources of the two countries. They brought forward various other tests, such as the amount of tonnage used in the foreign and coasting trades of each country, the amount of property assessed to income tax, the deposits in savings banks, gross railway receipts, and

[1] *Financial Relations Commission*, Vol. I. of Evidence, App. I., p. 346.

payments on account of death duties, all of which tests went to show that the proportion in which Ireland was assessed at the time of the Union was too high; but they held that these tests were imperfect indications of resources, and that too much stress was not to be laid upon them. They came to the conclusion that the suffering of Ireland had not been proved to be due to the pressure of taxation, and thought that bad seasons probably accounted for it. They could not say that any tax in Ireland was interfering with industrial development, with the possible exception of the excise duty on spirits, and they remarked—showing, as I think, a somewhat biassed mind—that, if the principle of graduating taxation so as to relieve Ireland of a part of her burdens was recognised, it would be at the expense of the British tax-payers. In short, their recommendations were confined to an advance of public money for improving land, and furthering arterial drainage.[1] The only result of the recommendations, Sir Edward Hamilton held, was, "that some further impetus was given to the system of public loans in Ireland."

Such an impotent result was not satisfactory to Irish representatives, and protests with regard to Irish taxation were from time to time made

[1] *Final Report of Select Committee on the Taxation of Ireland*, 1864–5.

by them in the House of Commons during the next twenty years. Four or five interesting debates took place on resolutions introduced by Sir Joseph McKenna, who was untiring in his efforts to enlist the sympathy of Parliament with Ireland. An interesting feature of these debates was the stress laid by opponents of the resolution on the argument that taxation was paid, not by geographical districts but by individuals, and that, therefore, to speak of Ireland being over-taxed was absurd.

The First Home Rule Bill

In 1886 discussion on the relative resources of Great Britain and Ireland arose in connection with the first Home Rule Bill, in which Mr. Gladstone fixed the annual contribution of Ireland towards Imperial services at one-fifteenth. In 1890 a Select Committee was appointed on the motion of Mr. Goschen, to consider the financial relations of England, Scotland, and Ireland. For various reasons the Committee never sat, but Mr. Goschen had a Return, based on the terms of reference to the Committee, made out and presented to the House of Commons.[1] This Return is noticeable as being the first attempt to adjust in detail the amounts of revenue collected in England, Scotland, and

[1] *Return* 329 of 1891.

Ireland, so as to show the true incidence of taxation in each of the three kingdoms. In 1893 certain investigations were made in preparing for the Home Rule Bill, which threw some additional light on the obscure subject of true revenue.

CHAPTER V

THE ROYAL COMMISSION OF 1894–6

FINALLY the whole subject was reviewed by a Royal Commission, which was appointed in 1894. The Commission sat for two years and its report or rather reports, with the two volumes of evidence and appendices, form the basis of all later investigation into the subject.

The terms of reference to the Commission were as follows: [1]

"To enquire into the Financial Relations between Great Britain and Ireland, and their relative financial capacity, and to report:

1. Upon what principles of comparison and by the application of what specific standards, the relative capacity of Great Britain and Ireland to bear taxation may be most equitably determined.
2. What, so far as can be ascertained, is the true proportion, under the principles and specific standards so determined between the taxable capacity of Great Britain and Ireland.
3. The history of the financial relations between Great Britain and Ireland at and

[1] *Report of Financial Relations Commission*, pp. 1, 2.

> after the Legislative Union, the charge for Irish purposes on the Imperial Exchequer during that period, and the amount of Irish taxation remaining available for contribution to Imperial expenditure; also the Imperial expenditure to which it is considered equitable that Ireland should contribute."

In reply to these questions the Commission handed in a short report, embodying their unanimous conclusions. These were:

> "(i) That Great Britain and Ireland must, for the purpose of this enquiry, be considered as separate entities.
>
> (ii) That the Act of Union imposed upon Ireland a burden, which, as events showed, she was unable to bear.
>
> (iii) That the increase of taxation laid upon Ireland between 1853 and 1860 was not justified by the then existing circumstances.
>
> (iv) That identity of rates of taxation does not necessarily involve equality of burden.
>
> (v) That whilst the actual tax revenue of Ireland is about one-eleventh of that of Great Britain, the relative taxable capacity of Ireland is very much smaller and is not estimated by any of us as exceeding one-twentieth."

No attempt is made in this short report to deal with all the questions included in the terms of reference, and it is necessary to study the five separate reports which were handed in as well as

the long draft report left by the first chairman, Mr. Childers, who died before the Commission had finished its work. A perusal of these documents will show that the Commissioners differed largely in the importance they attached to various aspects of the subject, that on many points a sharp divergence of opinion occurred, and that on some points absolutely contradictory views were expressed.

Taxable Capacity of Ireland

It appears to have been generally agreed that the best means of determining the relative taxable capacity of Great Britain and Ireland was to be found by comparing the aggregate money incomes of both countries. Some members of the Commission considered that the comparison of annual wealth should be based, not on gross income, but on the surplus after deducting a suitable allowance for subsistence, an opinion strongly urged upon the Commission by Sir Robert Giffen in giving evidence. He calculated that the deduction for subsistence should be £12 per head. The majority of the Commissioners came, however, to the conclusion that no such definite estimate could be made.

The specific tests considered as affording the best standard of comparison of annual wealth

were: Relative assessment to death duties and relative assessment to income tax. By the first test Ireland's proportion to that of Great Britain was taken to be as 1 to 17. By the second test Ireland's proportion was taken to be as 1 to 19 on gross assessment, or as 1 to 21 on net assessment.[1] Net assessment was held to be the more reliable test.[2] It was, however, agreed that, if income from wages and other sources unassessed were taken into consideration, the proportion might be less than the proportion arrived at by considering assessed income. Moreover, as the ratio of taxable capacity was held to be less than the ratio of annual wealth, and as Great Britain was advancing rapidly, while Ireland was stationary in the matter of prosperity and wealth, the Commissioners felt that a further "equitable adjustment" should be made. The application of certain other tests confirmed the figures they had taken into consideration, and the Commissioners came to the general conclusion that Ireland's taxable capacity did not exceed one-twentieth of the taxable capacity of Great Britain.[3] Three Commissioners, Mr. Sex-

[1] Net assessment includes certain deductions not included in gross assessment, and was considered to correspond most closely with the actual yield of the tax.

[2] *Report of Financial Relations Commission*, pp. 18–20.

[3] Mr. Childers in his draft Report put the taxable capacity of Ireland at one-twentieth of the taxable capacity of the United Kingdom.

ton, Mr. Blake, and Mr. Slattery, applying somewhat different methods of calculation, made the ratio of the taxable capacity of Ireland be to that of Great Britain as 1 to 36, and thought that was high, as it made no allowance for the continual diminution of Irish relative capacity owing to the rapid progress of British wealth.[1]

Over-Taxation of Ireland admitted

In 1893–4 the true revenue of the United Kingdom was £96,855,627. Of this total Great Britain contributed £89,286,978, Ireland, £7,568,649. Ireland's contribution was therefore between one-eleventh and one-twelfth of that of Great Britain. Had Ireland's contribution been based upon her taxable capacity, as determined by the Royal Commission, she would have contributed one-twentieth, or £4,842,781. The revenue derived from Ireland would have been less than it was by £2,725,868; in other words, Ireland was over-taxed by £2,750,000.[2] That was the great outstanding conclusion of the Royal Commission. In view of it, it is difficult to see how the loss to Ireland through over-taxation from the Union up to 1894 can be, on the most moderate estimate, assessed at less than £250,000,000.

[1] *Report of Financial Relations Commission*, p. 86.
[2] *Ibid.*, p. 20.

An immense amount of evidence was put in showing that the same fiscal system may have very different results when applied to two countries differing widely in economic condition, and in the habits of the people as regards consumption of dutiable articles. For instance, the consumption of tea and tobacco is disproportionately large in Ireland, and whisky, the Irish national drink, is taxed very much higher than beer, which is the favourite drink in England.[1] As Sir Robert Giffen put it in the Memorandum handed in to the Commission, "Ireland is virtually discriminated against by the character of the indirect taxes which happen to hit articles of specially Irish consumption. . . . There is nothing singular in certain taxes discriminating against one of two communities, although nominally at the same rate."[2] And Sir Edward Hamilton confirmed this opinion in stating that, "As regards indirect taxation, Ireland is paying more than Great Britain is."[3]

The idea so frequently expressed at the time of the Union, that by no system whatever could Great Britain and Ireland "be made to contribute so strictly according to their means, as by being subject to the same taxes equally

[1] *Financial Relations Commission*, Vol. II. of Evidence, Answers 8072, 8076, 8077,

[2] *Ibid.*, p. 166.

[3] *Financial Relations Commission*, Vol. II. of Evidence, Answers 8709, 8715, 9439, 10,176.

bearing on the great objects of taxation in both countries," was abundantly proved to be a mischievous fallacy. In justice to Pitt, however, it must be remembered that in looking forward to fiscal union, he did so with some saving qualifications. "It was a consummation much to be desired," he said, "that the finances of both countries were so nearly alike, that the system of both could be identified; but from the different proportions of debt, and the different stages of civilisation and commerce, and the different wealth of the nations, that desirable object is rendered impracticable."[1]

Pitt clearly recognised the immense difference between the two countries in civilisation, commerce, and wealth. The evidence given before the Commission proved that since the Union, the differentiation had increased, but owing to the limited nature of their terms of reference the Commission as a whole, refrained from drawing the conclusion inevitably following upon the acknowledgment of that fact.

Ireland's Expenditure

When they came to consider the question of expenditure, sharp differences of opinion among the Commissioners revealed themselves. The principal points at issue were two: (1) Whether the division of the expenditure by the Treasury

[1] *Pitt's Speeches*, IV. p. 85.

into the two classes, "Imperial" and "Local," were justifiable on sound financial principles, and under the terms of the Act of Union. (2) Whether a large and disproportionate expenditure in Ireland could be regarded as a "set-off" to excessive taxation.

With regard to the first point the majority of the Commission declared strongly against discrimination, and the methods adopted. "We cannot admit," they said, "the justice of this mode of dealing with Imperial expenditure. Whilst the kingdoms are united under one Parliament, we cannot but regard the maintenance of order, the enforcement of the laws, the collection and protection of the revenue as matters of Imperial concern, and the expenditure on them as Imperial in character."[1] They pointed out that, if classification was admitted, the items of expenditure required much more careful analysis. It was their opinion that a large amount of the expenditure in Ireland was due to her connection with Great Britain, that the collection of revenue should be an Imperial charge, and that the cost of an excessive police-force should not be debited to Ireland. It was, they thought, very doubtful if Ireland derived any benefit from a great deal of the so-called Imperial expenditure: she needed no such enormous navy to protect her commerce.

[1] *Report of Financial Relations Commission*, pp. 22–5.

"Under the Act of Union," they declared "Ireland has a claim to distinct consideration as to taxation, but, while the Union lasts, Imperial expenditure must be taken as common to all parts of the United Kingdom." They came to the conclusion in fact, that it was impossible to make any such classification with justice or logic, and that none should be attempted. The Commissioners who held this view were no doubt strengthened by the evidence of Sir Robert Giffen, who declared that such a distinction was "purely arbitrary," and of no value whatever.[1]

The opinion thus expressed by the majority of the Commissioners on the first question answered the second question. Expenditure could not be regarded as a set-off to excessive taxation. The only items which might possibly be considered in that light were certain grants to local rates, which amounted to about £500,000. "Wasteful or extravagant expenditure does not," they said, "justify excessive taxation." Sir David Barbour, however, maintained that, if taxation is to be measured by capacity, expenditure should be subject to the same standard, and that expenditure in excess was a "set-off" to taxation in excess.

[1] *Financial Relations Commission*, Vol. II. of Evidence, Answer 11,019.

Two Millions for Imperial Services

According to the evidence Ireland was in 1893–4 producing, in round figures, a net revenue of £7,500,000, was costing £5,500,000, and was therefore contributing £2,000,000 to Imperial services. At the same time she was over-taxed according to the estimate of the Royal Commission to the extent of £2,750,000. Great Britain, on the other hand, though raising in true revenue between eleven and twelve times as much as Ireland, was costing in administrative expenses only between five and six times as much as Ireland, and was therefore contributing to Imperial services twenty-eight times as much as Ireland. The population of Ireland had fallen by 2,000,000 between 1820 and 1894, and the true revenue had risen from 15*s.* 5*d.* to £1 13*s.* 5*d.* per head of population. The population of Great Britain had in the same period increased from 13,765,000 to about 33,469,000, and her true revenue had fallen from £3 13*s.* to £2 13*s.* 4*d.* (roughly) per head of population.[1] These were striking figures; but the O'Connor Don and other signers of the first separate report merely stated the facts and made no recommendations upon them.

[1] *Financial Relations Commission,* Vol. II. of Evidence. App. V., p. 200, table.

The first chairman of the Commission, Mr. Childers, took into consideration various methods of arriving at some adjustment, such as: an alteration in the general fiscal policy of the United Kingdom, so as to make the incidence of taxation fall more lightly on Ireland; a return to the principle of differentiated customs and excise duties; the allocation of a certain sum every year from general revenue to promote the wealth and prosperity of Ireland. He dismissed the first two suggestions as impracticable and recommended the annual allocation of a sum of about £2,250,000 for a certain term of years for purposes of development—reduction of railway rates, work of the Congested Districts Board, etc.[1]

All the reports are most interesting even now, after the lapse of so many years, but two of them are I think especially instructive, namely, the reports of Sir David Barbour, and of Lord Farrer, Lord Welby, and Mr. Bertrand Currie. As Mr. Erskine Childers points out, the really important points under discussion were: (1) "The suitability of the Irish taxes and the responsibility for levying them: (2) The amount and suitability of the expenditure in Ireland and the responsibility for its distribution,"[2] In the two reports above mentioned, the conflicting

[1] *Financial Relations Report*, pp. 194–5.

[2] E. Childers, *The Framework of Home Rule*, p. 249.

principles involved may be found stated in their clearest form.

REPORT BY SIR DAVID BARBOUR [1]

Sir David Barbour differed from those members of the Commission who held that the taxation of Ireland should be regulated with reference to her relative capacity to support taxation, and that neither expenditure nor Imperial contributions had any real bearing on the question. Looking upon Great Britain and Ireland as two communities under one financial system, he could not admit the possibility of treating them as separate entities. His opinions may be thus summed up. If the proportion of revenue justly due from Ireland were to be regulated solely by taxable capacity, Ireland undoubtedly paid too much and might be said to be overtaxed by £2,750,000 a year, as her resources might be taken at one-twentieth of those of the United Kingdom. But when expenditure was taken into consideration a very different result was obtained. The excess payment of Ireland was estimated at £2,725,868 ; the expenditure for Irish purposes at £5,602,555. If the expenditure on Ireland had been in proportion to her estimated taxable capacity, it would have been only £1,811,057. An excess of ex-

[1] *Report of Financial Relations Commission*, pp. 110–126.

penditure of £3,791,498 was therefore to be set off against an excess of taxation of £2,725,868, and Ireland was the gainer on the whole account by £1,065,630.

If both Irish revenue and Irish expenditure were considered, Ireland had no claim for relief, and there was no reason why Ireland should be treated as a financial unit for purposes of revenue but not for purposes of expenditure. If taxation were reduced by £2,000,000 or more yearly, Ireland would no longer pay anything on account of debt, or on account of military expenditure in Ireland, or anything on account of Imperial defence. No adjustment involving such consequence could be reasonable, as Ireland was not contributing to Imperial services in proportion to her estimated taxable capacity. In consideration, however, of past injustice, and of present economic conditions, Sir David Barbour recommended that any saving that could be effected in the cost (perhaps excessively high) of the Irish establishments, should be applied to Irish purposes.

Views of Lord Farrer, Lord Welby, and Mr. Currie

These Commissioners could not agree with the argument that, taxation being on individuals and not on countries, Ireland suffered no in-

justice. They held that the Act of Union was a treaty between separate partners, and that equalisation of taxes was not yet complete and had always been resisted. They came to the conclusion that the theory of Great Britain and Ireland being separate partners was the one upon which their instructions were founded and the one which had the greatest support in history and upon which all parties have recently acted.[1]

The general tenor of their report was as follows: The balance between local expenditure and Imperial contribution changed between 1869–70 and 1879–80. There had been an enormous increase in the cost of Civil government, and as a consequence Ireland's contribution to Imperial services had greatly declined.

Contrasting Irish Civil Service expenditure with that of Belgium they found that it amounted to 19*s*. 7*d*. per head in the former country, and to only 10*s*. in the latter; and they pointed out that even if the Irish establishment was conducted on the scale as that of Great Britain the saving would amount to nearly £2,000,000. Though not fully agreeing with the allegation that all expenditure sanctioned by the Imperial Parliament must be regarded as Imperial, they indicated the anomalies of the situation. "There are probably," they said, "few items which have not been pressed upon the Government and upon

[1] *Report of Financial Relations Commission*, pp. 37–9.

Parliament by Irish members; and very likely as few which receive the unqualified approval of those members when expended. Any reduction of expenditure on Ireland generally meets with their opposition, and in face of that opposition can seldom be effected."

They repudiated the idea that excessive expenditure could be considered a set-off to excessive taxation, or could in any way justify over-taxation. They looked upon it as a burden on the common purse. "The two evils of excessive taxation and excessive expenditure are," they said, "intimately connected; the evil of excessive taxation cannot be properly remedied unless excessive expenditure be abated at the same time." The present taxation, they concluded was inequitable; the scale of public expenditure totally unsuitable. Taxation fell heavily on consumers of dutiable commodities, and constituted a greater burden than the people ought to be called upon to bear. It was impossible to alter the whole system of the United Kingdom for the sake of Ireland. If a general reduction, sufficient to relieve her of the £2,500,000 of over-taxation, were made, it would necessitate sweeping away indirect taxation to the amount of £25,000,000. "We may," they said, "dismiss altogether the notion that the injustice under which Ireland suffers can be remedied by general changes in the taxation of

the United Kingdom." No remedy was, they thought, to be found in additional expenditure, remissions, and doles; such contrivances merely tended to weaken the spirit of independence and self-reliance of the recipients.

Fiscal Autonomy recommended

The recommendations of those Commissioners were of a sweeping character. They reported that "One sure method of redressing the inequality . . . would be to put upon the Irish people the duty of levying their own taxes, and of providing for their own expenditure." They held that the advantages of fiscal union might be too dearly purchased. "If it is objected that the course which we suggest may lead to the imposition of new customs duties in Ireland, we might reply that, in this case, as in that of the Colonies, freedom is a greater good than free trade. We doubt, however, whether Irishmen, if entrusted with their own finance, would attempt to raise fiscal barriers between the two countries; for we are satisfied that Ireland, and not Great Britain, would be the loser by such a policy. The market of Great Britain is of infinitely greater importance to Ireland than that of Ireland to Great Britain." No loss, they thought, would eventually accrue to Great Britain, even if no contribution were

required from Ireland; because the excess of expenditure over income tended to increase. "Is it not more than probable," they argued, "even supposing the present amount of taxation to be maintained, that the cost of administering Ireland will, under the present system, continue to increase, and that the surplus of £2,000,000 which she now contributes, will be more and more reduced till it becomes *nil*, or is turned into a deficit?" But if any contribution were required, it should be, they thought, a "moderate fixed sum, to be a first charge on the revenues of Ireland, leaving her to raise those revenues, and to dispose of the balance as she thinks fit."

Lord Welby appended a Note to this Report, as he differed from the other two Commissioners with regard to the question of an Imperial contribution. As Home Rule appeared far distant, he proposed an immediate reorganisation of Irish finance and government, applying the saving that would be made in Civil administration to Irish purposes, but with provision for a contribution towards Imperial services. He believed a reduction of expenditure possible under the existing system—an impression which events have proved to be signally erroneous.

The contrast between the two reports is peculiarly striking when viewed in connection with what has actually happened during the last eighteen years. In all that they said about the

probable increase of expenditure and the evil consequences of attempting to balance excess of taxation by excessive expenditure, the lapse of time has proved Lord Farrer and his colleagues to have been perfectly right. Their conclusions, says Mr. Erskine Childers—who is a warm supporter of their belief in complete fiscal autonomy as the only efficient remedy that can be applied—"have upon them the stamp of common sense. If it were not for the inveterate prejudice against Home Rule on other than financial grounds, no one would dream of disputing them; for they are based on principles universally accepted in every part of the British Empire but Ireland, and in most parts of the civilised world. They constitute, in fact, financially, one of the strongest arguments possible for political Home Rule."[1]

[1] Erskine Childers, *The Framework of Home Rule*, p. 255.

CHAPTER VI

THE PRESENT FINANCIAL SITUATION

THE most important thing about the present condition of Irish finance is the alleged fact that Ireland cannot pay her way, and is being run at a loss. This is undoubtedly true if Treasury methods of book-keeping are admitted to be correct, for the returns show that local expenditure on Ireland exceeds the true revenue contributed by Ireland. This allegation must not, however, be too readily admitted, for two important points must be borne in mind. A deficit is not proved if, as is the opinion of high authorities, the means employed by the Treasury for estimating "true" revenue are insufficient; or if the principle adopted in allocating various items of expenditure to local and Imperial accounts is unsound. But before entering upon that subject I must point out that for the deficit, if it is correctly stated, or, indeed, if it exists at all, Ireland is not responsible. If there be a deficit it is the inevitable consequence of an impossible condition of affairs. Whatever the accuracy or inaccuracy of the Treasury methods may be, the present Irish revenue and the present

Irish expenditure are both abnormal in their nature; that is to say, they bear no relation to local needs or conditions; they are not subject to any efficient public control; and there is no co-ordination between them. The deficit which is said to exist cannot be regarded apart from the whole problem of Irish finance and Irish government, and must logically be held to be the natural outcome of an unnatural system. That the system was bound to produce results of this kind was predicted by wise men so far back as the time of the Union, and was clearly foreseen sixteen or eighteen years ago by Lord Farrer and his colleagues. The only surprising thing now is that any one should be at all surprised.

Since the Royal Commission concluded its labours in 1896, no very material change in the situation has taken place, except in regard to expenditure. In Ireland the population has continued to decline, though at a diminishing rate. Revenue has risen very slowly as compared with that of Great Britain. In spite of a decided improvement in the general condition of the people the relative taxable capacity of Ireland has fallen. There has been an enormous increase in local expenditure, and a corresponding decrease in Ireland's contribution to Imperial services. This disappeared altogether in 1909–10, and has now been converted into a deficit of £1,392,500—if the division of charges

into local and Imperial, and the Treasury adjustments, are accepted as correct.

Ireland's Present Revenue

As arrears of tax-revenue accruing in 1909–10 were included in 1910–11, the present revenue must be estimated by taking the mean of the tax-revenue for the last two years, and adding the non-tax revenue for 1910–11.

In 1909–10 the revenue from taxes amounted to £7,103,000; in 1910–11 to £10,212,000, giving an average of £8,657,500. To this must be added the non-tax revenue of £1,294,500 for the year 1910–11, making a total of £9,952,000 as the present true revenue of Ireland. In 1910–11 the expenditure in Ireland was £11,344,500, showing a deficit on the whole account of £1,392,500.[1] But these figures cannot be relied upon. It is admitted by the Treasury officials that most of these adjustments are necessarily based on data of a very untrustworthy character. Even in the case of spirits, where the permit system is supposed to afford a fairly accurate record, a mistake of £159,000 was made this year, necessitating the re-issue of the *Financial Relations Returns* 220 and 221.

It is impossible to form an accurate estimate of the true revenue of either country under existing conditions; and Treasury officials can-

[1] *Return* 221†, 1911.

not be blamed if mistakes are made, though it is a somewhat singular coincidence that nearly all the errors that have been detected have been to the disadvantage of Ireland. A most careful investigation into the subject will be found in a little pamphlet by "An Irishman,"[1] but it must be admitted that all calculations are, under the present system, of a somewhat hypothetical nature.

Ireland's Expenditure

During the last eighteen years a steady increase in expenditure has taken place rising very rapidly of late. Expenditure amounted to £5,985,999 in 1891–92, and in 1910–11 to £11,344,500.[2] Professor Oldham has given some interesting tables analysing the various items in order to account for this increase of £5,358,500.[3]

(*A*) Items Showing Increased Expenditure

	1910-11. £	1891-92. £
1. Old Age Pensions	2,408,000	—
2. Ireland Development Grant	191,500	—
3. Post Office	1,404,500	749,046
4. Revenue Collection	298,000	223,362
5. Local Government Grants	1,477,500	399,260
6. Land Commission	414,500	91,826
7. Department of Agriculture	415,000	44,630
8. Primary Education	1,632,000	843,755
9. University Colleges	166,000	26,000
10. Surveys of United Kingdom	81,000	47,603
11. Other items (five)	240,500	172,918
	8,728,500	2,598,400

[1] *The Financial Relations of Ireland with the Imperial Exchequer*, by "An Irishman." [2] *Return* 221, 1911.

[3] Oldham, *The Public Finances of Ireland*, pp. 7–9.

(*B*) ITEMS SHOWING REDUCED EXPENDITURE

	1910-11.	1891-92.
	£	£
1. Relief of Distress	5,000	183,675
2. Pauper Lunatics Grant	—	111,655
3. Teachers' Pensions Grant	—	90,000
4. Railways (Ireland) Grant	61,000	341,934
5. Local Government Board	92,500	132,748
6. Chief Secretary's Offices	27,500	39,681
7. Registrar-General's Office	13,000	29,926
8. Justice and Police	2,090,500	2,129,849
	2,289,500	3,059,468

Professor Oldham explains that neither table is quite exhaustive. Tables (*A*) and (*B*) give a net increase of £6,130,000 ; and a net reduction of £769,968, showing a total increase of £5,360,132. He gives also this further table, setting out in detail the items described above as "Justice and Police."

EXPENDITURE ON JUSTICE AND POLICE.

	1910-11.	1891-92.
	£	£
1. Judicial Salaries	102,000	110,244
2. Judicial Pensions, etc.	15,000	18,656
3. Law Charges	65,500	71,977
4. Superior Courts Offices	110,500	116,851
5. County Courts Offices	109,000	112,895
6. Dublin Metropolitan Police	93,500	91,998
7. R.I. Constabulary	1,371,000	1,362,348
8. Prisons, etc.	112,000	134,429
9. Reformatories, etc.	112,000	110,451
	2,090,500	2,129,849

EXORBITANT CHARGES

In studying expenditure several prominent items arrest attention. The cost of the police

is enormous, amounting to £1,464,500, for the constabulary together with the local charge for the Dublin Metropolitan Police.[1] The Irish figure for Old Age Pensions, £2,408,000, is twice as large as the figure for Scotland and two-fifths as large as the figure for England. It must, however, be borne in mind that in Ireland the proportion of people entitled to old age pensions to population will rapidly decline as people of seventy years of age were born when the population was far larger than it is now. I speak of "people entitled to Old Age Pensions" advisedly, because the Act has been scandalously misused —as is not unnatural considering that the population of Ireland have but little interest in seeing that its provisions are not misapplied. The item £102,000 for judicial salaries seems very large when compared with £282,500 for England; and the Lord-Lieutenant's salary of £20,000 must not be forgotten. There can be no doubt also that the cost of the mere machinery of government is disproportionately great. Professor Kettle has estimated that "the management of public business in Ireland takes nearly four times as many officials and more than four times as much money as suffice for Scotland."[2] This excessive indulgence in officials is perhaps a necessary accompaniment of a system of

[1] *Return (revenue and expenditure)* 220, 1911.
[2] Kettle, *Home Rule Finance*, p. 32.

administration detached and semi-Colonial, and devoid of all local supervision or control, but it is hard that Ireland should have to pay for it.

Expenditure in Ireland, taken as a whole, amounts at present to £2 11*s*. 9*d*. per head of population, as compared with £1 9*s*. 2*d*. per head in England, and £1 13*s*. 3½*d*. in Scotland. And yet Ireland is overtaxed by about £3,000,000.

This anomalous condition represents what Professor Oldham calls the "paradox of Union finance." And he remarks elsewhere that "sound finance and economical government are not to be found in the public finance of Ireland, because, under the theory of the Union, it does not matter on which side of the Irish ledger the balance may happen to fall."[1]

Present Taxable Capacity

Professor C. H. Oldham finds that, by the application of the same standards of comparison as were used by the Royal Commission eighteen years ago, Ireland's contribution now ought to be one-twenty-fifth part of the tax revenue of the United Kingdom, whereas she is at present contributing about one-sixteenth of the total tax revenue of the United Kingdom.[2] Her true tax revenue amounts to £8,657,500 and the

[1] Oldham, *The Public Finances of Ireland*, p. 15.
[2] *Ibid.*, pp. 15, 16.

total tax revenue of the United Kingdom, taking the mean of the last two years, to £140,680,000. If Ireland had contributed in proportion to her estimated taxable capacity, she would have contributed one-twenty-fifth part of this, or £5,627,200. Ireland is, therefore, overtaxed by about £3,030,300.

How does Sir David Barbour's argument (which was revived in the *Nineteenth Century* of last October)[1] work out, if applied to the existing situation? On a basis of one-twenty-fifth the local expenditure in Ireland ought to be £2,875,540; it is £11,344,500. Her contribution to Imperial services ought to be £3,750,360; it is a minus quantity of £1,392,500. By this course of reasoning we are forced to the amazing conclusion that Ireland, though over-taxed by £3,000,000 a year, makes a gain of £5,000,000 as the net result of the whole arrangement.

The gross absurdity involved is well described by Mr. Erskine Childers when he says: "The figures of to-day constitute the *reductio ad absurdum* of the Union. For over a century we have defied the laws of political economy, but they have conquered us at last. Sound finance demands that revenue and expenditure should be correlated. Ireland's economic circumstances are widely different from those of Great

[1] Crammond, "Ireland's Finance under Home Rule," *Nineteenth Century*, October 1911.

Britain, but she has been included without any regard to her needs, and without any reference to Irish expenditure, in a system of taxation designed exclusively for the capacities and needs of Great Britain. Hence Irish revenue is both excessive and inadequate." [1]

An interesting table was presented to the British Association by Professor Oldham last autumn, which shows in a fairly comprehensive form the whole history of Anglo-Irish finance.[2] The following figures will be found useful :

Single Year.	Balance Contributed.	Decadal Balance.
1819–20	£3,691,684	£36,916,840
1829–30	4,156,576	41,565,760
1839–40	3,626,322	36,263,220
1849–50	2,613,778	26,137,780
1859–60	5,396,000	53,960,000
1869–70	4,488,210	44,882,100
1879–80	3,226,307	32,263,070
1889–90	2,676,970	26,769,700
1899–1900	1,684,500	16,845,000
Averaged balance for 90 years		315,603,470
Add Actual Balances 1900–09		16,214,000
Net Payments in 99 years		331,817,470
Deduct deficit of 1909–10		2,357,500
Net Payments in 100 years		329,459,970
Add Actual Balance 1910–11		162,000
Net Balances paid 1809–1911		£329,621,970

Ireland's Imperial Contributions

It would appear, therefore, that Ireland has since 1809 contributed to Imperial expenditure

[1] Erskine Childers, *The Framework of Home Rule*, p. 262.
[2] Oldham, *The Public Finances of Ireland*, p. 12.

about £330,000,000. This may be considered as a substantial "set-off" against the deficit of the last two years, if the fact of a deficit be admitted. But on that point a good deal may be said. The methods of distinguishing between collected revenue and true revenue is, as has been already stated, faulty in the extreme. The allocation of items to general or to local expenditure is purely arbitrary. It is, to say the least, probable that, on the revenue side, an additional £400,000 a year should be credited to Ireland, under the heads of income tax and stamp duties.[1] On the side of expenditure, the cost of the Constabulary, which Peel designedly threw on the Imperial Exchequer as some compensation for the injury inflicted on Ireland by the repeal of the Corn Laws, is put down as an exclusively Irish charge, though the Constabulary, as every one knows, has always partaken largely of the character of an Imperial force. If the police-force in Ireland were reduced to reasonable dimensions, and were put on the same scale as the police in England and Scotland, the expense could be diminished by one-half. It is surely reasonable to assume that the working of telegraphs, telephone, and Post Office, and the collection of taxes should be regarded as United Kingdom services, but

[1] *The Financial Relations of Ireland*, by "An Irishman," p. 37.

the loss on the Irish Posts of £249,000 is debited against Ireland. Many reasons might be brought forward, too, to show that Old Age Pensions should in part, at least, be regarded as an Imperial charge, inasmuch as the very large figure for Ireland is due to conditions which were the direct result of British misgovernment; and also because the scale of pensions is higher than a self-governing Ireland would have felt economically justified in establishing.

The bonus given under the Land Act of 1903 as a grant in aid of purchase was definitely declared to be an Imperial grant; but, as has been pointed out by Professor Kettle, "the present annual charge on the bonus stocks so far issued, amounting to about £170,000, is entered in the Treasury accounts under a purely Irish vote—that for the Land Commission—and, of course, helps to produce the deficit."[1] It is unnecessary to enumerate all the items which such high authorities as Lord Welby, Lord Farrer, and many others thought ought not to be charged to a separate account. The plain fact of the matter is that Ireland is a contributor or a defaulter according to the way in which the accounts are kept. It all depends upon the allocation of items to general or to local

[1] "The Financial Aspect of Home Rule," *English Review*, January 1912.

expenditure. The method employed by the Treasury in classifying expenditure is, as was explained by Sir Edward Hamilton, to put down as "Irish" every item that would cease to be necessary if Ireland ceased to exist. If Ireland had not existed, Great Britain could not have wrung £360,000,000 out of her. If Great Britain had not existed, Ireland would not have been mulcted in £360,000,000. All of which is absurd. The Treasury rule is useful for statistical purposes: it shows what the actual expenditure in Ireland is. But it is useless for any other purpose: it is not based upon any estimate of what expenditure in Ireland ought to be. Under the system adopted by the Treasury, local expenditure exceeds local contribution. If true revenue could be accurately ascertained, and if items which many authorities think should be charged to the Imperial account were so charged, local contribution would even now exceed local expenditure. It is purely a matter of book-keeping, and may be dismissed. But two facts are of importance to remember. The balance, on whichever side it is, has no relation to the general results of the Act of Union or to the financial aspects of Home Rule; and no local control is exercised over local expenditure in Ireland.

Lord MacDonnell of Swinford stated not long ago that the Irish Government has no con-

trol whatever over three-fifths of the money spent in Ireland, while its control over another fifth is very often contested.[1] The great bulk of Irish expenditure is determined by the Treasury officials in England, who can have at best a very inadequate knowledge of Ireland's desires.

[1] "The Finance of Irish Government," *Nineteenth Century*, January 1912.

CHAPTER VII

A GENERAL SURVEY

My object in collecting and co-ordinating the foregoing facts, figures, opinions, and surmises is to place in an accessible shape before the public data on which an opinion may be formed, rather than to express and substantiate views of my own. I have no desire to dogmatise, to assess definitely the financial damage, if any, sustained by Ireland during the last hundred years, or to say what ought to have been done in the past, or what ought to be done now. To come to definite conclusions on matters incapable of absolute proof is a difficult and dangerous proceeding. Opinion as to what a future policy ought to be must be formed largely upon conjectures as to what the present situation would be had circumstances been quite different from those which created and regulated the situation in the past. Under such conditions—in view of the impossibility of determining what might have happened, if "what might have been" had taken place, no universally acceptable premiss can be found, and different opinions

are held, and will continue to be held, on the question, What course ought to be pursued now? Moreover, the financial story of Ireland is inextricably mixed up with the social and economic effects of her political history, and with the action and reaction upon each other of all the factors constituting the life of a community. The financial relations of Great Britain and Ireland can be judged of only in connection with a study of the relations between England or Great Britain and Ireland in all their aspects. Nevertheless, though facts and figures have not been put forward by way of proving definitely expressed views of my own on the whole subject, some expression of opinion is necessary on certain features of it, and some criticism is desirable on the more salient points.

As to the present situation, Ireland is now debited with a balance against her of about £1,392,500, but that depends entirely upon whether the apportionment of charges between Imperial and local purposes is just and equitable, and whether the difference between collected and true revenue is accurately ascertained. On the latter point there can be no question. It is not and cannot be accurately determined, for no machinery exists for the purpose. It is a mere matter of conjecture, and it may well be that accurate definition would prove in favour of Ireland. The proper ap-

portionment of charges is a matter of opinion, and will remain so. By transferring items which have been already enumerated from one side of the ledger to the other it is quite easy to transform Ireland's debit into a credit balance, and I must admit that if payments for purposes which seem to me to be of an Imperial character were charged as such, the Irish account would not show a deficit even now.

As to the future, in the first place it must be recognised, by any one desirous of forming a candid opinion, that the financial policy to be pursued towards Ireland should be in no way affected by political policy; and that the political policy to be adopted should not be affected in any way by financial considerations. If in fact or in equity Great Britain owes a debt to Ireland, the debt holds good, whether or no the political *status quo* is maintained, or whether autonomy is granted to Ireland either complete, as, for instance, in the case of the Dominion of Canada, or less complete as in the status of the Legislature of Quebec, or in any other more or less modified form.

Finance and Politics

Nor can financial considerations affect the political question. Whether the Irish accounts show a credit or a debit balance can have no

possible bearing upon the wisdom or unwisdom of Home Rule.

The main question, therefore, to be investigated is the alleged indebtedness of Great Britain to Ireland. If that be proved, a subsidiary question arises as to the most reasonable way of liquidating the debt. In considering those problems the student should bear in mind that under no conceivable circumstances can Great Britain cease to be vitally interested in Ireland, and that if a debt exists, it cannot be written off, even by granting Ireland complete autonomy. That the financial terms of the Act of Union forced liabilities upon Ireland that drove her into insolvency in seventeen years is, as it seems to me, proved beyond cavil. Assuming that the Irish Parliament would, if it had continued in existence, have contributed toward the expenses of the war to the utmost of the country's capability, the loss made by Ireland by reason of the Act of Union cannot be estimated at less than £50,000,000. Great Britain having forced the Union upon Ireland, and having dictated its financial provisions, is responsible for the financial results. Great Britain incurred a debt to Ireland of £50,000,000, and the debt was not, and could not be, liquidated by merging it in the whole debt of the United Kingdom.

From the amalgamation of the exchequers

up to the present time the revenue derived from Ireland in excess of expenditure in Ireland has been estimated, and I think correctly, at between £300,000,000 and £400,000,000, a gigantic sum, justly described by Lord MacDonnell of Swinford as the ransom of an empire. In considering whether that enormous contribution was a consequence of the legislative union it is necessary to embark upon the uncertain sea of conjecture. What would an Irish Parliament have done? What it would not have done is quite certain. It would never have imposed such crushing taxation upon the people. Taxation would have been lighter; but the country would have been "run" much cheaper, and an Imperial contribution would have been possible without overburdening the people. Unquestionably an Irish Parliament would have made a contribution and a generous one. I admit no definite calculation can be founded on evidence so hypothetical, but I submit that a considerable deduction on the total amount of revenue derived from Ireland in excess of expenditure must be made on account of the probability, amounting almost to a certainty, that an independent Irish Parliament would have granted substantial aids.

But all this is conjecture; we come to more solid ground when dealing with the report of the Childers Royal Commission. While differing widely on many points, the Commissioners were

unanimously agreed as regards over-taxation. They found without a dissentient voice that Ireland was, and had been, overtaxed to the extent of about £2,500,000 a year. That is the great central fact to be borne in mind. This excess of taxation about balances the excess of Irish revenue above Irish expenditure. In other words, if Ireland had not been overtaxed she would have contributed nothing in cash, though much in kind, towards general purposes. Why ? Because either too much was expended upon her maintenance, or she was too poor to do more than just pay her own way. Both pleas are true, but the latter would have proved to be of a temporary character. Though again venturing upon conjecture, it is, I think, safe to say that if expenditure had been appropriate, if Ireland had not been overtaxed, if the heart had not been taken out of the people by the weight of the burden they had to bear, if some opportunity of accumulating capital for investment had been vouchsafed them, the country might have attained an economic condition sufficiently sound and expansive to enable it to pay its way on a scale suitable to its requirements, and to supply a modest or even a handsome contribution to Imperial expenditure. However, whether these and similar reflections are true or not, the great fact remains that the taxation was more than the people were able

to bear, and, as the taxes were imposed by Great Britain, upon her shoulders the responsibility rests. For more than one hundred years the exhausting drain has continued, and, though it may be difficult to assess the loss, or to express it in terms of money, it is certainly impossible to avoid the admission that Great Britain has taken from Ireland a far larger sum than, under the circumstances, she was entitled to take, and may be, therefore, said to have incurred a debt.

The Disease and the Remedies

In turning to remedial proposals it is scarcely necessary to look beyond the Royal Commission appointed to enquire into the financial relations between Great Britain and Ireland in 1894. All the necessary information may be found in the evidence taken by the Commissioners, and almost every variety of opinion is expressed in their reports.

For the reason that the most extreme views on either side are formulated in the report of Sir David Barbour, and in the joint report of Lord Farrer, Lord Welby, and Mr. Currie, those documents are especially worthy of study. Sir David Barbour comes to two conclusions: firstly, that no injustice is done to Ireland; secondly, that if there is any injustice it cannot be helped. The latter contention is based on

the assumption that Ireland must be looked upon as, for all purposes, an inseparable part of a whole—an undistinguishable portion of one kingdom: that taxation of any and every kind must of necessity press with unequal weight upon individuals and upon collections of individuals in various portions of that kingdom: and that, therefore, even if it be true that the burden upon people inhabiting that part of it called Ireland is heavy, discrimination is impossible and nothing can be done. On that proposition it is surely superfluous to dwell. For any enquiry to be made into the subject Ireland must be assumed to be a separate entity. To ignore or deny that necessary condition is simply to negative enquiry. But the first contention, that Ireland is not labouring under any grievance, does require a word or two of comment. It is founded upon the theory that if taxable capacity is to be taken as the measure of anything, it must be taken as the measure of everything; and that, therefore, if taxation is to be regulated by taxable capacity the same taxable capacity must also be the measure of expenditure and of Imperial contribution. Sir David Barbour admits that the relative capacity of Ireland was in the proportion of 1 to 20 of the whole of the United Kingdom, and proceeds to argue that, as the amount available for Imperial purposes, after satisfying

Irish local expenditure, was less than in the proportion of 1 to 20, Ireland is not a loser but is a gainer, because the expenditure upon her has been greater than is justified under the same proportion. It is necessary to quote again from Sir David Barbour's report. "The total amount of revenue," he says, "contributed for Imperial purposes by the United Kingdom in the year 1893–4 was £60,634,486. If Ireland had contributed towards that expenditure in proportion to her taxable capacity, her contribution would have been one-twentieth of that sum, or £3,030,724. In point of fact she contributed only £1,966,094 and was therefore a gainer by £1,065,630."

Ireland's Over-Payments

To put it in another way, Sir David Barbour came to the conclusion that "the resources of Ireland as compared with those of Great Britain appear in the present day to lie between the proportions of 1 to 16 and 1 to 21, and the taxable capacity of Ireland may fairly be taken as one-twentieth of that of the United Kingdom. . . ."; that, on that assumption, "Ireland paid in 1893–4 about £2,750,000 sterling more than she would have paid if the total revenue taken from her had been in proportion to her taxable capacity; that "in the same year there was expended for Irish

purposes about £3,750,000 sterling in excess of what would have been admissible if the expenditure for Irish purposes had also been in proportion to Ireland's taxable capacity." In this case, Sir David argued, Ireland made a gain of one million.

The argument is sound, if the theory is sound upon which it is based, and if it is conceded that money spent on Ireland has been so profitably employed as to justify expenditure by universally enhanced prosperity; but the theory is obviously unsound. That expenditure should be commensurate with income is good finance, but that taxation should be measured by expenditure is neither good finance nor logical ratiocination. The plea of a generous diet will not hold good against the accusation of bleeding a man to death. Sir David Barbour would land us straight into the absurd paradox, that most assistance should be given to a community, or section of a community, that requires it least, and that the least assistance should be given to the community, or section of a community, that requires it most.

As to the nature of expenditure on Ireland there cannot be two opinions. All of it has been extravagant, much of it has been unprofitable, and some of it has been absolutely wasted. But expenditure in Ireland, involving as it does intricate questions as to whether it is

extravagant or thrifty, wise or foolish, productive or unproductive, in accordance with, or not in accordance with, the necessities of the country and the wishes of the people, has really nothing whatever to do with the question of taxation. If it is dragged into the controversy, expenditure should be in inverse, not, as Sir David Barbour suggests, in direct proportion to the taxable capacity of Ireland.

The upshot of Sir David Barbour's report is negative—nothing need be done; but he admits that there appears to be, *prima facie*, a strong case for enquiry into the necessity for the existing scale of expenditure in Ireland, and that if the yearly expenditure for Irish purposes were reduced by £1,000,000 it would be reasonable and fair to allow Ireland the benefit of such savings, though in strict equity they ought to go towards Imperial expenditure.

Relative Taxable Capacity

On the question of relative taxable capacity Lord Farrer, Lord Welby, and Mr. Currie are in substantial agreement with Sir David Barbour. Having carefully examined the various methods of estimating comparative wealth and resources they say:

"Whilst we do not adopt the view that the Irish population, man for man, are less well off than

they have formerly been, or that their present state of comparative poverty is to be ascribed to excessive taxation, we are distinctly of opinion that the progress and consequent rate of increase of capacity to bear taxation in Ireland is very much less than it is in Great Britain, and that this fact ought to be borne in mind in answering the questions we are considering.

"Both in present wealth and in the growth of wealth Ireland is, therefore, a poor country as compared with Great Britain; and if, as is often asserted, her comparative capacity to bear taxation is less, not only in the proportion of her wealth, but in a much greater proportion, her case is even stronger than would appear from the above figures. In view of all these considerations, and admitting that it is impossible to adopt any one absolutely trustworthy standard, or to arrive with certainty at any exact figure, we feel satisfied that we are not overstating the case, if we say that the capacity of Ireland to bear taxation at the present moment is to that of the United Kingdom in a proportion of not more than one in twenty or one in twenty-one."

These members of the Commission found themselves "forced" to the conclusion that "the system of taxation which now exists in the United Kingdom, while it may be not unsuited to the requirements of a rich nation like Great Britain, presses hardly and inequitably upon a relatively poor country like Ireland," and that public expenditure in Ireland "has

been conducted on a scale totally unsuitable to that country, and such as few nations would be able or willing to afford"; and, far from thinking that nothing can be done, they recommend a very drastic change. "One sure method," they say, "of redressing the inequality which has been shown to exist between Great Britain and Ireland would be to put upon the Irish people the duty of levying their own taxes and of providing for their own expenditure, leaving to the wisdom of Parliament to decide the question of contribution out of Irish taxes to the Imperial Exchequer." In short they suggest fiscal autonomy. Albeit, some of the objections which may at the present day occur to an enquirer would not naturally have suggested themselves to Commissioners sitting in 1896, they do not appear to have exhaustively considered the possible or probable consequences of their recommendation. An opinion which was not entertained by any one eighteen years ago is certainly growing among thinking men that the questions of Home Rule, efficiency of the House of Commons, recreation of a constitution and representation of the over-sea dominions form parts of one great problem, the ultimate solution of which can only be found in some reconstruction of the United Kingdom on federal lines. A Customs Union is an essential quality of federalism.

Federation and Trade

The Commissioners were, I have no doubt, perfectly right in assuming that, if Irishmen were entrusted with their own finance, they would not attempt to raise fiscal barriers between the two countries; and the reason they give for that opinion is sound. "We are satisfied," they say, "that Ireland and not Great Britain would be the loser by such a policy. The market of Great Britain is of infinitely greater importance to Ireland than that of Ireland to Great Britain." But if that be so it is difficult to see what material advantage would accrue to Ireland from control of customs. Duties could be imposed on foreign imports, or bargains made for the remission of duties on Irish exports to foreign countries. But the direct Irish foreign trade is not large,[1] and the only effect of imposing duties might be to transfer what foreign trade there is into and out of Irish ports to ports in Great Britain. Great practical difficulty might be found in discriminating between goods of British origin and goods of foreign origin coming into Ireland from British ports. Control of customs would not be necessary, in order to give to an Irish legislature power to

[1] In the report by the Department of Agriculture for the year ending December 1910, it is estimated that not more than one-fifth of Irish exports goes to colonial and foreign countries, while at least one-third of Irish imports is of such origin.

encourage industry in many ways, if it thought fit.

Excise duties stand on a somewhat different footing. Differentiation in excise duties would lead to the great expense and far greater inconvenience of a custom-house cordon between Great Britain and Ireland; but against that must be put the fact that apparently nothing short of a custom-house cordon will suffice to determine what Ireland's true revenue is, or to place the volume and nature of her trade clearly before her. Fiscal autonomy opens up many complicated questions. It would necessitate a great reduction of Civil Service expenditure which could not be accomplished immediately, except by the employment of a large capital sum in compensation. It might be held to preclude the use of British credit for such great purposes as the completion of land transfer; and that is an essential preliminary to or accompaniment of Home Rule of any kind. It is questionable whether Ireland, suffering from the effects of over-taxation and the destruction of her industries, is at present in a position to support herself, saddled with many obligations which she would not have incurred but of which she cannot divest herself. Such are the criticisms which will probably suggest themselves to any one studying the recommendations of Lord Farrer and his colleagues.

On the other hand, their suggestion has much to recommend it. It has the great merit of simplicity. If the treatment is not too heroic the transfer to Ireland of full responsibility for both raising and expending revenue would have an excellent stimulating effect. Incidentally it would relieve Great Britain of all future financial responsibility. Fiscal autonomy would enable Ireland to adjust taxation to her own requirements and would afford an opportunity of redressing the great inequality between indirect and direct taxation in Ireland, but that matter requires careful examination. Accumulated wealth is small in Ireland. No great middle class exists; and it is difficult to see how, under any system, it would be possible to avoid raising the bulk of revenue by means of customs and excise duties on articles of general consumption.

The Two Unions

In all these discussions, English apologists may very naturally plead that, albeit some hardship to Ireland may have been caused by the unforeseen occurrence of a great and prolonged war, Irish character is the root cause of poverty, stagnation, and discontent. Had they subordinated sentiment to common sense, had they buckled to in an endeavour to make the best of circumstances, they could, as is often said, have turned the Union to their advantage as

the people of Scotland did. To investigate that contention would require a long and exhaustive dissertation on Irish history quite out of the question now,[1] but one or two remarks may be permissible—pointing out the radical difference between the circumstances of Scotland and Ireland at the time of their respective unions. In the case of Scotland and England, two nations that had long enjoyed settled government under monarchies, tempered by free Parliamentary institutions, were united. Scotland gave a king to England. In Scotland society was, and had been for a long time organised under native law and custom. Industries existed, and at the back of them a considerable accumulation of capital. Scotland was in a position to utilise advantages offered by the union. Scotland prospered by using external opportunities for developing existing internal resources.

The case of Ireland was very different. Her Parliament had, after centuries of struggle, just achieved independence, only to see it filched from her. The executive being in the hands of England, government involved a perpetual struggle between the legislative and administrative functions of Parliament. A little, but only a little, progress had been made towards reviving industries that had been purposely destroyed. The amount of capital in Ireland,

[1] The subject is discussed in *The Outlook in Ireland.*

whether in money or in industrial skill and enterprise, was very small. The country was lying prostrate under the consequence of a disastrous civil war. Whatever opinion may be held about the motives of the British administration, or of the Ascendancy Party in Ireland, it will not be denied by any one that the action of the British Cabinet, supported by the Ascendancy Party in Ireland, in recalling Lord Fitzwilliam, denying reform, and the appointment of Lord Cornwallis to command the troops, brought about the Rebellion of 1798; and the Rebellion made the Union possible. Under such conditions an unbiassed common-sense view of the Union was out of the question; and, even if it had been possible, Ireland was not in a position to utilise opportunities. She required time to recuperate. Granting, for the sake of argument, potential advantages in the Act of Union, the circumstances of Ireland were such as to make their realisation impossible.

If it be conceded, as surely it must be, that, in striking an account as between Great Britain and Ireland, injury has been inflicted upon the latter country by over-taxation, it will be admitted that reparation is due; and, as the injury is expressed in terms of money, the reparation must take the same form, and may be looked upon as a debt. The question then naturally arises: What payments have been

made by Great Britain in liquidation of the debt?

I find Sir Edward Hamilton stating in evidence before the Royal Commission of 1894, that Ireland had received a free gift of £10,718,095, "either in actual grants, or in remittances of loans or portions of them."[1] I do not dispute the accuracy of Sir Edward Hamilton's calculation, but the term "a grant" is liable to misconstruction. The bonus of £12,000,000, "granted" in aid of land purchase under the Act of 1903, is generally described as a free gift. It is nothing of the sort. It is a gift to selling landlords, or, what is the same thing, to purchasing tenants; but it is not a gift to Ireland. The charge on the bonus stock, by which this money is raised, amounting at present to £170,000 is put down to the Irish account. To make a free gift to Ireland it would be necessary to write the amount off. It ceases to be a gift if interest and sinking fund are charged to either a separate or a joint account. Whether the sum of over £10,000,000 sterling mentioned by Sir Edward Hamilton fulfils those conditions and constitutes a free gift is really immaterial. The amount is too small to be seriously considered as a set-off against the claims of Ireland on account of excessive taxation. But, it may be

[1] *Financial Relations Commission*, Vol. I. of Evidence, App. I., p. 361.

argued, the large sums from time to time advanced for Irish purposes, whether as strictly local loans, or for more general purposes, as, for instance, in the case of the various Land Purchase Acts, ought to be taken into consideration. That is perfectly true. In all these cases, the money, whether secured on the consolidated fund or not, has been obtained on the easy terms rendered possible by the use of the credit of the whole United Kingdom ; but the money has been advanced as a loan, the local security has been good, and the charges for interest and sinking fund have been punctually paid. Nothing in the nature of a gift can be claimed for these transactions, nor do they imply any special generosity on the part of British taxpayers. The money applied to the necessities of a part of the United Kingdom has been raised on the security of the taxpayers of the whole United Kingdom, including those residing in the portion immediately benefited. The advances are well secured and no loss has been sustained. Nevertheless cheap money is, if wisely and profitably expended, of inestimable benefit to Ireland. The value of Imperial credit may be fairly taken into consideration in attempting to balance accounts between Ireland and Great Britain, but it cannot justify over-taxation, nor can it be used as an argument in connection with politics. It is absurd to argue, as some do, that the use of

Imperial credit depends upon the preservation intact of the legislative union. Short of annihilation—annexation by a foreign power—it is impossible to conceive of Great Britain occupying a position in which the integrity of Irish soil, and the welfare of the inhabitants of Ireland, could be a matter of indifference to her. Under any federal scheme, or indeed under any scheme that has been seriously put forward, Ireland has a right to the use of Imperial credit; and no scheme of autonomy can alter the fact that the judicious use of Imperial credit for the benefit of Ireland would be a wise proceeding on the part of Great Britain, and beneficial to her also, provided, of course, that the investment was profitable, and the security good.

Home Rule and Party Politics

I have abstained from reference to the political issues now occupying public attention; but this much I may be permitted to say. Had the question of Home Rule been raised above all party political considerations; had it been investigated as a pure matter of business, with the object of deciding whether decentralisation—control over their own special areas—would or would not be of advantage to the partners in a business hitherto conducted from one central office, the difficulties in the way of financial

adjustment would not be so great as they now are. An enquiry would certainly have been held into "Castle Government" and the whole system of Irish administration, with the object of giving those who in the future might become responsible an opportunity of expressing clearly the economies which they desire to effect, either by abolishing or co-ordinating departments and boards, by reducing the Civil Service, judiciary, and police in numbers, or by a reduction of salaries. Parliament would then have had before it the scale of expenditure which those about to undertake the administration of Ireland thought sufficient; and, if they recommended economic reforms, Parliament could have formed an estimate of the immediate cost of reduction, which ought to be an Imperial charge, or of the annual payment required as an Imperial contribution until such time as reduction had automatically taken place. Means would have been found for distinguishing accurately between true and collected revenue, and Ireland would have been placed in a position to understand clearly how she stood as regards her own trade. The enquiry into financial relations that was held about sixteen years ago would have been brought up to date, and authoritative opinion would have been elicited as to the effect upon Ireland of the fiscal legislation of the last few years.

As it is, the ignorance of the generality of

people on all these subjects is unavoidably great, and popular opinion on the financial propositions of any Home Rule Bill will, perforce, be formed on such knowledge as they may possess of the financial past of Anglo-Irish history. It is with the object of enabling them to form an opinion, by putting before them the principal available facts and data, and indicating sources of information, that these pages have been written.

Printed by Hazell, Watson & Viney, Ld., London and Aylesbury